Austria	Sch26	Iran	Rls210	Pakistan	Rs35
Bahrain	Din0.700	Israel	Shk3.50	Philippines	Pso40
Belgium	BFr56	Italy	L2000	Poland	Zl 9,000
Cyprus	C£0.90	Jordan	JD1	Portugal	Esc165
Denmark	DKr12.00	Korea	Won 2000	Qatar	QR9.50
Egypt	E£3.25	Kuwait	Fils.500	S.Arabia	SR8.00
Finland	FMk8.50	Lebanon	L£200.00	Singapore	S$4.10
France	FFr7.50	Lux	LFr35	Spain	Pta165
Germany	DM2.50	Malaysia	M$4.25	Sweden	SKr12
Greece	Dr160	Morocco	MDh9.00	Switz	SFr2.50
Hungary	Ft107	Neth	Fl 3.25	Thailand	Bht50
Iceland	IKr160	Nigeria	Naira12	Tunisia	Din0.800
India	Rs15	Norway	NKr12.00	Turkey	L2000
Indonesia	Rp3100	Oman	OR1	UAE	Dh7.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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Monday December 24 1990

D 8523A

REFUGEES

A new guardian of the displaced

Page 3

World News

Death toll of Saratoga sailors rises to 21

Israeli divers found the body of an American sailor in Haifa bay, taking to 21 the toll of US servicemen who died when their ferry sank at midnight on Friday as they were returning to the aircraft carrier Saratoga from shore leave.

Soviet train crash

At least seven people died and 50 were injured when a gas tanker exploded at the small railway station of Yelnikovo, 300 miles southwest of Moscow, causing two express trains to collide.

Immigrants pour in

The tide of Soviet Jews to Israel turned to a flood over the weekend with the arrival of 5,500 immigrants fleeing food queues and instability in the Soviet Union. Page 3

Chad seeks Habre

Chad is seeking the extradition of former President Hissene Habre, who sought asylum in Senegal after fleeing his country four weeks ago to escape the rebel advance.

The Financial Times

The Financial Times will not be published on December 25 and 26 (Christmas Day and Boxing Day), or on January 1. We would like to extend seasonal greetings to all our readers.

IRA calls ceasefire

The Irish Republican Army announced a three-day Christmas ceasefire in Northern Ireland with effect from midnight last night. It last declared an official ceasefire 16 years ago.

Row over UK bases

Weekend reports that the UK government plans deep cuts in its defence forces and the closure of two naval dockyards angered the opposition Labour party. Page 4

Slovenia votes

The little Yugoslav republic of Slovenia voted in a plebiscite on independence which could pave the way for its secession. Page 12

Army on stand-by

Surinam's army has been put on stand-by following the resignation of army chief Desi Bouterse, according to reports from the capital, Paramaribo.

Township fighting

Seven blacks, including a policeman, died in renewed fighting among political factions in South African townships.

Albanian reshuffle

Albania named a young reformist to a top government post in a wide-ranging economic reshuffle.

Security slip-up

A man posing as a security guard walked away from a Marseilles supermarket with FFr1m ($200,000) after hoodwinking a cashier into believing that he had been sent to collect the takings.

Malaga road deaths

Eight Moroccans and two Spaniards died when a car crashed into a bus carrying 48 children near Malaga. None of the children was badly hurt.

Burning the books

The east German town of Pössneck has decided to burn some of its library books because it has no more money and no space to store them.

Discordant note

French defence minister Jean-Pierre Chevenement, visiting his forces in Saudi Arabia, cancelled a meeting with his Saudi counterpart after local authorities banned two Christmas rock concerts for the French.

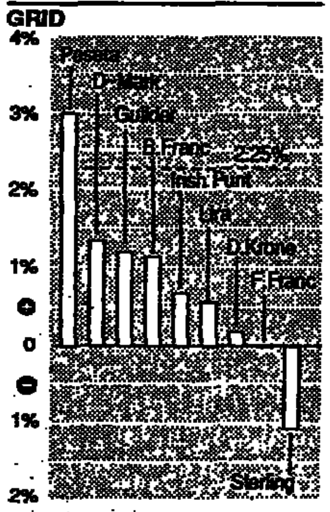
Business Summary

Schering to sell organic chemicals subsidiary

SCHERING, German pharmaceutical and chemicals company, is selling its organic chemicals subsidiary, Diamalt, which had a turnover of DM175m ($117m) this year, because the business does not fit in with its main activities. It is being bought by its management, consulting company, and 3i, UK finance group, for an undisclosed sum. Page 13

EUROPEAN Monetary System: Sterling last week remained the weakest currency within the system following speculation that UK interest rates could be cut without a strengthening of the pound. The French franc was also depressed after the Bank of France disappointed the market by not raising interest rates. Tight monetary policy in Spain kept the peseta at the top of the grid, while political uncertainty in the Soviet Union failed to dislodge the D-Mark from its position of strength. Currencies, Page 23

EMS December 21, 1990



The chart shows member currencies of exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the EMS narrow band cannot rise by more than 2.25 per cent from the weakest currency in that part of the system. Sterling and Spanish pesata operate within 6 per cent fluctuation bands.

SWISS Bank Corporation said the 5.5 per cent ceiling it had set for the increase in total costs next year would call for a reduction of between 2 and 5 per cent in the number of people it employs in Switzerland. Page 16

BOND Corporation's future is again in doubt following a South Australian Supreme Court decision to commit its J.N. Taylor Holdings subsidiary into liquidation. Page 14

TVS Entertainment, UK TV company, has won financial support from its two large French shareholders, Compagnie des Eaux and Canal Plus, which hold 19.4 per cent of TVS shares. Page 13

LASMO, UK oil company, has raised a £100m ($193m) loan from the European Investment Bank to help fund its continuing development plans in the North Sea. Page 14

INDIA plans to announce limited privatisation measures, as part of emergency moves to meet the country's fiscal and balance of payments crises. Page 3

STOY HAYWARD, tenth largest UK accountancy firm, is to have its role as auditor of the Levitt Group, collapsed UK financial services group, examined by the Institute of Chartered Accountants of England and Wales. Page 5

CONVERTIBLE Trust, investment trust specialising in UK and US convertibles, is raising £6.2m ($12m) through a rights issue. Page 14

Congress of Peoples deputies will consider request for new presidential powers

Crucial vote for Gorbachev

By Quentin Peel in Moscow

PRESIDENT Mikhail Gorbachev today faces the single biggest challenge to his political and moral authority when he seeks support from Congress of Peoples deputies to grant him sweeping presidential powers.

The powers, which would subordinate the government directly to the head of state, and establish a government inspectorate to enforce presidential decrees throughout the country, were assailed by Mr Nikolai Ryzhkov, his own prime minister.

This latest blow to the Soviet leader came just days after the resignation of Mr Eduard Shevardnadze, his foreign minister.

Mr Ryzhkov, who would almost certainly lose his job in the reshuffle, said the new system was "too unwieldy and hardly viable," and questioned the logic of reinforcing the centre at a moment when the republics were in open revolt.

He said new presidential powers "will not change anything in the country. Is the government short of powers now? No. The problem is that the republics are ignoring its resolutions."

He added: "If the situation in the country does not change, no presidential power will save us. This is why the first thing to do is to win the consent of the republics."

His broadside at the weekend came as President Gorbachev took another big gamble in choosing the republic of Moldavia as the place to attempt to reassert his presidential powers to end inter-ethnic conflict and revive central authority.

In a far-reaching decree issued on Saturday, the Soviet leader ordered the republican parliament to reconcile the warring factions of the Romanian-speaking majority, and the Russian-speaking and Turkic Gagauz minorities, within 10 days, or face the imposition of presidential rule.

His decision could well infuriate all sides in the dispute. He has declared invalid attempts by the Russian-speaking and Gagauz minorities to break away from the republic.

Simultaneously he has demanded that the Moldavian parliament rescind its decision to impose the Romanian language throughout the republic.

At the same time, in a move which seems certain to arouse new fears of martial law in the Baltic republics, he has declared invalid the Moldavian parliament decision which rejects the Molotov-Ribbentrop secret pact of August, 1939, by which the territory of Moldavia and the Baltic republics were incorporated into the Soviet Union.

The parliaments of Estonia, Latvia and Lithuania are already rife with rumours that they will be the next to face martial law. On Saturday, Mr Vytautas Landsbergis, president of Lithuania, called on the Sajudis nationalist movement to prepare "resistance and self-defence measures" to resist military rule.

Against the background of turmoil in the restive outer republics, Mr Gorbachev is desperately trying to put together a two-thirds majority of the Congress of Deputies to win his new presidential powers.

His problem is compounded by boycotting of the assembly by the nationalist deputies from the Baltic republics, as well as Armenia and Georgia.

Mr Ryzhkov said: "If the congress does not approve the constitutional amendments changing the power structure in the USSR, it will be a serious political defeat. He also said that no new Union Treaty would be signed during the next month or two and therefore it was essential first to negotiate an economic agreement between the centre and the republics to allow them to draft compatible budgets for 1991.

In spite of his attack, Mr Ryzhkov said: "Of all those who started the struggle for perestroika in 1985, I am the only one who remains at his side now, after Shevardnadze's resignation."

Today's vote in the Congress of People's Deputies, the supreme constitutional authority, is hanging in the balance on whether to grant Mr Gorbachev his overwhelming authority. There is a real possibility that he will fail to gain the necessary two-thirds majority.

KGB chief's outburst, Page 2
Profile, Page 2

Time running out in Gulf, says US

By Tony Walker in Cairo

TIME is running out for efforts to avert war in the Gulf, Mr Dick Cheney, the US defence secretary, said yesterday after meeting President Hosni Mubarak of Egypt.

Mr Cheney, who travelled to Cairo from Saudi Arabia where he held discussions with US military commanders, said that in the absence of any hint of Iraqi flexibility the likelihood of war increased by the day.

"Each day that goes by, each week without a sign of an Iraqi withdrawal (from Kuwait) moves us that much closer... to the point at which members of the coalition may have no other option but to use military force to achieve our objectives," he said.

Lt-Gen Sadi Tumah Abbas, Iraq's new defence minister, said in response to Mr Cheney's remarks that the US and its "collaborators" would have the earth scorched under their feet in the event of war.

Earlier, in Saudi Arabia, Mr Cheney had warned Iraq that it risked devastation if it dared use chemical or biological weapons against US-led forces. Asked if the US might be prepared to use a nuclear device in such circumstances, Mr Cheney at first sought to deflect the question, but then added: "With our full spectrum of capabilities, were Saddam Hussein foolish enough to use weapons of mass destruction, the US response would be absolutely overwhelming and devastating." Mr Cheney, who told reporters that US forces were ready for action at a moment's notice, was responding to threats at the weekend by Mr Sadi Mahdi Saleh, Iraq's parliamentary Speaker, to use chemical weapons against the "enemy".

Tough stance: US defence secretary Dick Cheney visits US marines at their desert camp

Mr Cheney's visit to the region was widely seen as a "deck-clearing" operation before the January 15 UN war ultimatum comes into effect.

He was due to return to Washington late yesterday to report to President George Bush as US troops in the desert were put on alert for possible attack over the Christmas-New Year period. Hopes of a peaceful resolution of the crisis have dimmed in recent days as Iraqi leaders have repeatedly discounted the possibility of withdrawal from Kuwait.

Mr Saddam replied with a blunt "No" last week to a question from German television on whether or not he would withdraw his troops by January 15.

The US has about 300,000 servicemen in the Gulf region. Numbers will increase to 430,000 by early next month. US allies, including Britain and France and Arab contingents number about 220,000 men.

Iraq has deployed more than 500,000 troops in or near Kuwait out of a total military of 1m.

According to US intelligence the Iraqis are continuing to dig themselves in along Kuwait's boundaries and on the Iraq-Saudi Arabian border.

No progress was reported at the weekend towards setting a date for a visit to Baghdad by Mr James Baker, US secretary of state. The US has rejected Iraq's proposed January 12 meeting between Mr Baker and President Saddam, and suggested instead a date no later than January 3.

Mr Chadli Bendjedid, Algeria's president, held further discussions over the weekend with European and Arab leaders in an effort to devise a formula to defuse the Gulf crisis, but there was little sign of progress.

Mr Bendjedid met King Hassan of Morocco for five hours of talks late on Saturday. No details of those discussions were disclosed but Algeria's APS news agency said that Iraq "has a real and sincere will for a dialogue and a peaceful solution."

Middle East news, Page 3

Few cheers as Walesa finally gains presidency of Poland

By Christopher Bobinski in Warsaw

THE shipyard worker who jumped across a wall in August 1980 to form Poland's first independent trade union, finally gained at the weekend the crown for which he fought so hard: the Polish presidency.

The surprisingly sombre occasion also marked the end of Poland's London-based government-in-exile. For decades, it had been relegated by the communists to a footnote in history. On Saturday, it was accorded pride of place as Mr Richard Kaczorowski, the president, handed over his pre-war insignia of office to Mr Lech Walesa. Fifty-one years of exile had ended.

But the symbolism and sense of occasion was marred by the growing uncertainty about how, and when, the next government would be formed; about the bitter aftertaste of a divisive election campaign; and about the constitutional powers of the president which have yet to be decided by the Sejm, the parliament.

On Saturday, Mr Walesa, accompanied by his wife Danuta, was sworn into office by the two houses of parliament. He then went to Warsaw's Royal Castle square.

After meeting Poland's 24 top generals, he took command of the armed forces. The ceremonies ended, appropriately, at Warsaw Cathedral during a mass celebrated by Cardinal Jozef Glemp, the Roman Catholic Primate.

Mr Tadeusz Mazowiecki, the outgoing prime minister and one of Mr Walesa's defeated rivals in the election, attended but showed little enthusiasm. Gen Wojciech Jaruzelski, the former Communist Party leader who had held the post of president since July 1989, was conspicuous by his absence.

The historic day even failed to bring out the crowds. There was only a sprinkling of onlookers at the crush barriers. It was a pointed, if not ominous, reminder that Mr Walesa's victory was achieved with the support of no more 40 per cent of the electorate.

In a short speech to parliament, Mr Walesa said he wanted to speed up privatisation in order to make Poles "a nation of owners" and that the "modified" policies of Mr Leszek Balcerowicz, the present deputy premier and finance minister, would be continued.

The reference to Mr Balcerowicz, responsible for Poland's

Continued on Page 12

Britain considers plan to issue hard Ecu-denominated bonds

By Peter Marsh, Economics Staff, in London

BRITAIN is considering a plan to issue a new range of government bonds denominated in hard Ecus – the parallel currency which it has proposed western Europe should introduce over the next few years – as a way of winning over other countries to the hard Ecu concept.

The new issue, under discussion at the UK Treasury, could appear over the next few months, to be offered to international investors. The issue would provide cash either for the UK's official reserves or for public spending, funds for which are under pressure.

Another effect of the issue would be to send a firm signal to financial markets that the government is unwilling to see a devaluation in sterling, which in recent weeks has sunk close to its effective floor in the European Exchange Rate Mechanism of about DM2.83.

By borrowing in the new currency – which would carry a government guarantee that it could never be devalued – Britain would link part of its debt to a new financial instrument whose value would be highly stable. That would be likely to underpin the value of sterling on foreign exchange markets.

The hard Ecu constitutes the central part of Britain's ideas on European economic and monetary union.

The UK says that the currency – which under the UK's plans would be managed by a new European Monetary Fund – could be introduced after 1994 as a way of giving industry and commerce experience in a new, common currency and so reduce transaction costs.

Issuing UK government bonds in the hard Ecu would be a highly innovative act. It would amount to a political first strike on the rest of Europe, particularly countries which doubt the validity of the hard Ecu proposals.

Under the scheme, investors in the hard Ecu bonds would be encouraged to trade them in what would amount to a new hard Ecu securities market.

At least two London-based securities houses have given the Treasury detailed analyses of their views on how the hard Ecu bond issue could be managed.

It is thought that up to Ecu500m (about $685m) of bonds could be sold initially.

Money raised by the programme would probably flow initially into the UK's official gold and foreign currency reserves. From here some of the cash could be transferred into funds for UK public spending.

The government is likely to need large amounts of money – either from conventional issues of sterling-denominated gilt-edged securities or from the new Ecu bond issue – in the next six months because of lower-than-expected income from taxes and higher spending caused by the UK recession.

Continued on Page 12

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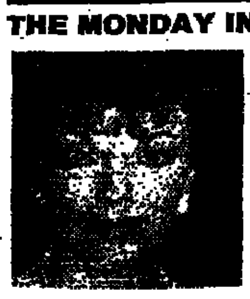
THE MONDAY INTERVIEW



Joan Collins is a star. Everything about her says so. Although her particular brand of glamour harks back to the past, her stardom is very much of the present. A marketable phenomenon, she has made the most of it. Page 28

FT SURVEYS: THE FT EUROPEAN 500

The definitive ranking of Europe's industrial and commercial power-houses.

■ ACQUISITIONS, for decades a way of life for British and US companies, have now become a powerful force reshaping the market values of publicly quoted European industry. That is the lesson of the new FT European 500 survey of the top 500 companies in Europe, which appears on Tuesday, January 8.

■ Changes among the top 10 mirror the acquisitive activity of a number of German giants, but how far must they move to displace the British companies that have for decades dominated the corporate map?

Ideological policeman at helm of secret service

By Quentin Peel

GENERAL Vladimir Kryuchkov, chairman of the KGB, the Soviet State Security Committee, looks far more like a self-effacing bureaucrat than a glamorous spy master.

He is an avuncular, balding figure, with rather solid spectacles, who often delivers the most devastating statements with a slight, wry grin. Nowadays, he does not often use his official rank of army general, preferring the more anonymous civilian suit, and plain "Mr".

Yet for 14 years he was the head of Soviet external intelligence service, the First Chief Directorate of the KGB, running the international Soviet spy network. As such, he would have been in the front line of those who realised, years before perestroika began, just how seriously the Soviet Union was starting to lag behind the west in crucial areas of advanced technology.

The other key fact in Gen Kryuchkov's career is his intimate connection with Mr Yuri Andropov, the former Soviet leader who was himself head of the KGB from 1967 to 1982.

The spy chief's intelligence career effectively began with a posting to Budapest in 1956 as third secretary in the Soviet embassy – shortly before the Hungarian uprising and when Mr Andropov was Soviet ambassador.

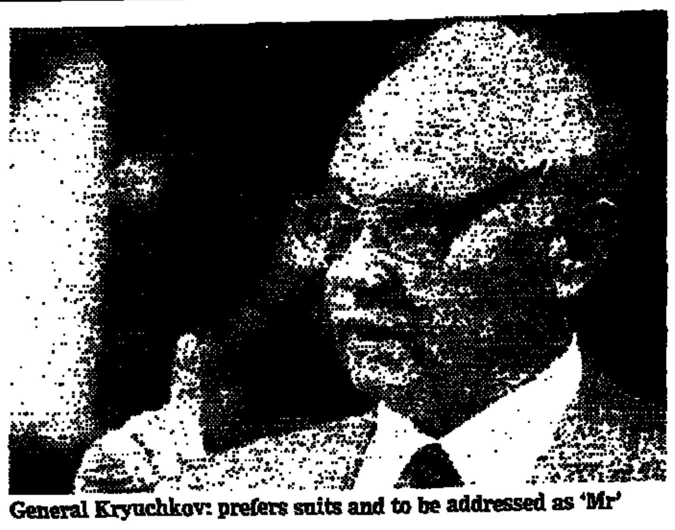
He followed Mr Andropov to the Communist Party central committee in 1959, where he worked in the department dealing with socialist countries, and when his boss went to the KGB in 1967 he followed him again, effectively as his *chef de cabinet*, as head of the KGB secretariat.

He undoubtedly shares much of the Andropov view of the world: a puritanical view of socialism as the sole true path, but one disastrously distorted by the corruption of the Brezhnev years.

When he was promoted full chairman of the KGB by Mr Mikhail Gorbachev, over the heads of more senior deputy chairmen, it was widely welcomed as the appointment of a more pragmatic man from the external arm of the organisation.

But his recent statements have underlined that he still shares a decidedly xenophobic view of the outside world, instinctively mistrustful of all foreign relations. He is open enough to give press conferences but, when questioned by foreign correspondents, he always manages somehow to underline their "alien" attitudes.

As for his view of the Soviet economy and politics, it remains the view of an ideological policeman, rather than a sensitive politician. That is the view that has recently emerged so strongly.



General Kryuchkov: prefers suits and to be addressed as 'Mr'

Kryuchkov tries to rally conservatives behind today's crucial vote on new powers for Gorbachev

KGB chief's outburst recalls dark days of Soviet xenophobia

By Quentin Peel in Moscow

JUST at the moment when the western world, from governments to banks, businessmen and humble individuals, is agonising about how best to help the Soviet Union, General Vladimir Kryuchkov, head of the KGB security service, launches a bitter attack on all forms of foreign "interference."

From an international point of view it could scarcely have had more extraordinary timing.

In his address to the Congress of People's Deputies on Saturday, Gen Kryuchkov used the undisguised language of before the Gorbachev era to denounce the activities of foreign intelligence agencies, of western experts (presumably like the International Monetary Fund and World Bank), of joint venture investors, and traders with the Soviet Union, all of whom he implied were involved in some monumental conspiracy to undermine his country.

Yet from a domestic perspective, it was perhaps partially understandable. For Gen Kryuchkov, and through him President Mikhail Gorbachev, is desperately trying to woo conservative support for the preservation of a united federation, and for granting the Soviet leader sweeping new powers to enforce it.

Today's vote in the Congress of People's Deputies, the supreme constitutional authority, is hanging in the balance on whether to grant Mr Gorbachev his overwhelming authority. There is a real possibility that he will fail to gain the necessary two-thirds majority of the full assembly, and suffer a possibly irreparable defeat.

In that light, alienating the international community is a secondary consideration to the paramount need to preserve the union. Moreover, it is possible that what is left of the Soviet leadership has decided that, with the dramatic resignation of Mr Eduard Shevardnadze as Foreign Minister, what was left of western support will have all but evaporated.

On the other hand, it is scarcely a total explanation for a xenophobic and bitter speech by the KGB chief, which has left the western diplomatic and business communities in Moscow stunned.

"It is sick," one west European diplomat said yesterday. "It plays to all the demagogic forces. But it also reflects the thinking of an organisation which lives for just that vision of the world."

Indeed Mr Kryuchkov's attack on the outside world is his third in recent weeks. On the first occasion he merely suggested, at a press conference, that joint ventures with foreign companies – for which Soviet officials have scoured the world for the past three years – had embezzled Rbs3bn.

On the second occasion, on Soviet television last week, he stepped up the assault to include western intelligence agencies which, he said, had intensified their spying in the wake of glasnost.

On Saturday, he added invective and detail to the charges.

● He charged that no less than 40 per cent of western grain was sub-standard: "Exploiting our mismanagement, they deliver adulterated and sometimes diseased grain, foodstuffs with higher than normal levels of radioactivity, and containing harmful chemical substances."

● He accused the west of deliberately encouraging a brain drain to deprive the Soviet Union of its leading scientists and specialists. "Particular attention is paid to those (emigrants) involved in high technology," he said. "Whole programmes are being drafted to inspire a brain drain from the USSR."

● On the day after publication of the IMF-World Bank report on Soviet economic reform, he accused "outside forces" of imposing "doubtful ideas and plans to pull the country out of the difficult situation. All these efforts often screen a desire to strengthen not so much us, as their own positions in our country."

● As for foreign secret services stepping up their actions, he directly accused the US Central Intelligence Agency of stirring up labour unrest through the "CIA-financed People's Labour Union."

● He accused foreign businessmen of cashing cheques for Soviet co-operative, commercial and provincial banks, so that some Rbs12bn was sitting in Swiss banks, waiting to flood back into the country and destabilise the currency at a future date.

● Somehow, he also managed to suggest that the collapse in Soviet oil exports – from 127m tonnes in 1989, to an estimated 101m tonnes this year, and as little as 61m tonnes next year – was a result of some sort of unidentified sabotage.

Having said all of which, he admitted that the greatest threat to the country came from within, not from outside, and centred on the exacerbation of ethnic relations. He charged that more than 20 nationalist organisations in the country had their own "para-military formations or armed units of militants," singling out the Ukraine, Lithuania, Latvia, Estonia, Georgia and Armenia.

He said the security forces had registered more than 400 armed detachments numbering more than 26,000 people.

In all, his entire performance was one designed to alienate any potential foreign investor in the Soviet Union. It remains to be seen today if it has succeeded in winning enough votes to gain Mr Gorbachev his new constitutional powers.

Shades of Kafka as Stasi men tell all

By David Marsh in Bonn

FOR thousands of Germans caught up in the unravelling of the east German state security apparatus, Santa's sack this Christmas will be bringing distinctly unglad tidings.

Discovery by the west German authorities of a list of more than 100,000 informants for the Stasi has turned Christmas into a season of anxiety for many in Germany.

Confusion about possible Stasi activity by prominent Germans has been further sown by a flurry of rumours and denunciations spread by former agents revealing their work to west German counter-espionage.

The almost daily welter of Stasi revelations has turned sections of the German press into a cross between Kafka and John Le Carre.

Mr Manfred Stolpe, the new Social Democrat prime minister of the east German state of Brandenburg, and Mr Günter Eichhorn, former head of the body charged with winding up the Stasi, were forced to deny at the weekend that they worked for the organisation.

This follows last week's resignation from the Bonn government of Mr Lothar de Maizière, the former East German prime minister, after persistent newspaper reports of his former Stasi links.

Earlier this month, Mr Diethelm Schröder, a leading journalist on the news magazine Der Spiegel, was named as a spy by an east German agent now "telling all" to the west German authorities.

Mr Stolpe, a leading official in the East German protestant church,
denied exchanging information with the Stasi on east German Church dissidents. He said he was willing to have his record examined by the Brandenburg state parliament.

Mr Eichhorn was said in newspaper reports yesterday to be under investigation by German public prosecutors. This concerned his alleged granting of preference to ex-Stasi officials discreetly reacquiring Stasi assets after the anti-communist revolution last autumn. Mr Eichhorn, a former east German finance ministry official, denied the allegations and said he knew nothing of any investigations.

There is a strong suspicion that settling of political and personal scores play an important part in some of the press allegations about individuals' Stasi connections.

Bishop Martin Kruse, head of the central council of the German Protestant Church, yesterday termed as "unbelievably irresponsible" the campaign against Mr Stolpe, which first surfaced last week in the conservative Bonn daily Die Welt.

Mr Stolpe concedes that he took part in more than 1,000 separate talks with East German state authorities to help people who had fallen into difficulties with the oppressive regime of Mr Erich Honecker, the former East Berlin leader. As a result of these conversations, the Stasi organisations had probably gathered "several kilos" of reports on him.

A demonstrator makes his point in Tirana at the weekend at an opposition party rally

Alia sacks more cabinet ministers as opposition party holds rally

Albania seeks to contain unrest

By Laura Silber in Belgrade and Our Foreign Staff

THOUSANDS of Albanian demonstrators held an opposition rally on Saturday as Mr Ramiz Alia, the president and leader of the ruling Party of Labour (ALP), sacked several cabinet ministers in an attempt to contain political unrest and confirm his commitment to reform.

Mr Sali Berisha, a leader of the newly-founded Democratic Party which organised the rally, read a list of demands to the crowd in Tirana, the capital. Demonstrators shouted slogans in support of freedom and democracy and waved banners saying "Albania must join Europe". This was the largest opposition rally since the orthodox Communist country was founded after the Second World War.

The demands included the release of all political prisoners, postponement of elections until May and the revision of the new election law.

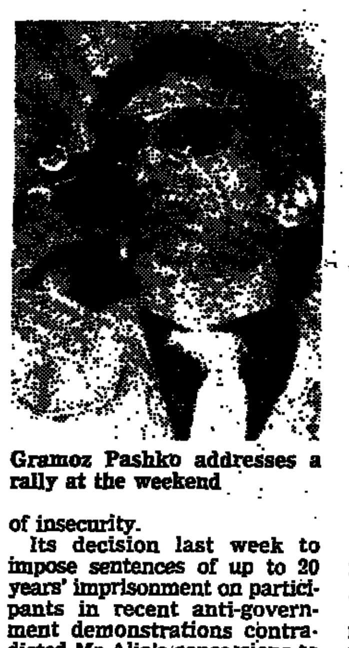
Mr Berisha said: "The election law was created by the party in power. It is not suited to Albanian conditions and the Albanian mentality." However, the party did not call for the release of those who were sentenced last week following anti-government demonstrations by thousands of workers in the cities of Durres, Elbasin and Shkoder. The party also set up its own newspaper in an attempt to break the monopoly of the state-controlled press.

The wave of demonstrations, and growing confidence of the Democratic Party, which has adopted a more outspoken stance towards the ALP over the past few days, may explain why Mr Alia sacked a further four cabinet ministers. Seven ministers and half the members of the policy-making politburo were dismissed on December 11.

Albania's state-run television announced on Saturday that Mr Fatos Nano, an economic adviser to the Communist party's central committee, had been appointed general secretary to the government. The finance minister had been replaced.

Mr Nano, an economist and widely regarded as a pragmatist, had been advising the government, which is subservient to the ALP, on ways to improve the country's Stalinist economy. After four decades of rigid central planning and economic and political isolation, Albania is the poorest country in Europe.

The changes appear to confirm the APL's growing sense of insecurity.



Gramoz Pashko addresses a rally at the weekend

Its decision last week to impose sentences of up to 20 years' imprisonment on participants in recent anti-government demonstrations contradicted Mr Alia's concessions to the opposition. The "hot and cold" policy is widely interpreted by Albanian intellectuals and western diplomats as Mr Alia's attempt to blend strict civil control with a bow in the direction of reform.

The APL is due to hold a special conference on Wednesday to map out its future and its strategy for elections scheduled for February 1991.

Albanian academics yesterday said the APL might follow its counterparts in eastern Europe by changing its name and presenting itself as a more liberal, left-of-centre group.

The Democratic Party, formed amid student unrest, has called for the elections to be postponed until May to give it more time to organise.

A diplomat based in Tirana said: "The opposition is chipping away at Mr Alia's power-base. Their calls for the release of political prisoners would bring the real enemies of the regime to the political arena, which would destroy Mr Alia's control over the country."

Leading Albanian intellectuals have set up the country's first independent human rights group.

"Our activity will be to press for the release of all political prisoners in Albania and to monitor legal procedures," said Mr Arben Puto, chairman of the Forum for the Defence of Human Rights.

Mr Puto said he did not know how many political prisoners there were in Albania, but said it was rumoured there were several thousand.

Gloomy economic outlook for most Nordic states

By Robert Taylor in Stockholm

ANOTHER year of very poor economic growth for Sweden, Denmark and Finland is forecast for 1991 in a report published by the Nordic industrial employers' federations.

But the outlook is brighter for Norway, and probably Iceland, which will be "exceptions," the survey says.

It forecasts an average of 0.7 per cent growth in the Nordic region next year, compared with 2.0 per cent in OECD Europe. This will be the fourth consecutive year that the Nordic region has lagged behind.

The survey suggests that the strength of the German economy – a large importer of goods from Scandinavia – should be a favourable factor, but that the recessions in the US and Britain will work in the other direction and the Nordic market itself will continue to be sluggish.

Optimism about Norway stems from forecasts that oil exports will rise by 8 per cent in 1991, with a presumed price of crude oil of $26-$27 a barrel. This will produce a trade surplus equivalent to between 7 and 8 per cent of Norway's gross domestic product.

The balance of payments surplus is expected to triple from NKr11.3bn (£1bn) this year to NKr34bn, while consumer prices will rise by 4.9 per cent compared with 4.2 per cent this year.

Iceland's growth rate is forecast to reach almost 2.5 per cent compared with 0.2 per cent in 1990, but this assumes approval for the building of power plants to supply a proposed new aluminium smelter.

The country still faces serious structural problems, mainly because its fishing industry capacity far exceeds the catch quotas intended to preserve the country's fish stocks.

But the report predicts only 1.8 per cent unemployment, inflation of 9.7 per cent (much less than the last three years), and an 11.3 per cent growth in gross fixed investment.

The gloomiest outlook is for Sweden. Unemployment is forecast to rise from 1.6 per cent to nearly 4 per cent, with output declining by 0.4 per cent, a Skr78bn (£7.2bn) balance of payments deficit, a 15 per cent drop in industrial investment, and consumer price rises running at 10.5 per cent.

Even Sweden's once favourable visible trade balance is set to decline from SKr10bn this year to SKr7bn in 1991.

Finland is also set for a deepening recession after a long period of growth. The report forecasts that the country will have zero growth rate in 1991 with a 9.0 per cent fall in gross fixed investment, a 1.3 per cent decline in domestic demand and a 6 per cent rise in prices.

However, the current account deficit is expected to stabilise at around FM24.4bn (£3.45bn), or 5 per cent of Finland's gross domestic product.

The outlook for Denmark is considerably better than for some years, with a predicted 3.8 per cent consumer price increase, a DKr24.9bn (£2.26bn) trade balance and DKr3bn balance of payments surplus.

Growth is forecast to be 1 per cent, while investment in the non-energy private sector will rise by 7 per cent. But unemployment is expected to continue to remain high at 9.8 per cent.

● Norway's exports of traditional goods rose by 6 per cent in value this year to NKr113.3bn, according to preliminary estimates by the Norwegian Export Council.

The Council says is the fourth year running that Norway has increased exports of traditional goods. Export volume in 1990 increased by 11 per cent, but prices for raw materials declined.

Bonus for German shops

CONSUMERS from former East Germany helped bring a bumper Christmas to German retailers, boosting turnover in west German shops to DM25.5bn (£8.8bn) – up nearly a fifth on last year, Reuter reports from Bonn.

The boom was largely due to demand from 16m former East Germans.

Eastern Berlin, Leipzig and other cities in former East Germany struggled to meet the demand from local shoppers still shaking off the deprivation of four decades of communist rule.

Store detectives were being kept busy by a jump in store thefts. A sign in the window of one store in Berlin's Spandau district said the rise in theft had been "catastrophic".

The boom includes the huge German mail order houses, which pride themselves on their prompt filling of customers' orders.

Some customers of the Otto catalogue store have been getting letters saying that the high number of orders "from East and West" have slowed delivery and that Otto can't make guarantee orders arriving before Christmas.

Of those who were not out shopping, tens of thousands of Germans were heading south for skiing holidays.

Just how long the good times in Germany can go on remains to be seen when recessions loom in the US and Britain, two of Germany's big export markets. Many are predicting an overall economic slowdown next year, as the full costs of German unification hit the country's manufacturers and consumers.

Spanish gamble on Santa

By Tom Burns in Madrid

TOP FURRIERS stand to do good business in Madrid's working-class suburb of Alcorcon over Christmas and Jaguar car salesmen – who find Spain a tough market – might break through in the town of Alzira, near Valencia, where a small steel appliances plant is virtually the sole employer.

Alcorcon and Alzira were among a dozen Spanish locations which boasted hundreds of instant millionaires over the weekend, as the National Christmas Lottery showered an ever-eager consumer society with 60 top prizes of Pta250m (£1.4m) each.

Spain's Christmas lottery, which pays out 70 per cent of its income – the Treasury keeps the balance – is allegedly the most bountiful in the world. Gambling, one of Spain's favourite pastimes, hits a fever-pitch with the Christmas lottery.

The nation comes to a standstill as the numbers are drawn, the show broadcast live on television and radio. *El Gordo* (the fat one), as the top prizes of Pta250m are known, mesmerises Spaniards, who are at the bottom of the European Community's per capita savings league but who will spend upwards of Pta5,000 per household in the hope of earning a holiday windfall.

Asked what she would do with her Pta4m prize, Julia, 45, an Alcorcon housewife, said: "A great Christmas, a motor-bike for my son, and a very good fur coat for me."

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Shades of Kafka as Stasi men tell all

By David Marsh in Bonn

INTERNATIONAL NEWS

● THE MIDDLE EAST

Britain turns to allies for ammunition stocks boost

By **David White** in London and **David Marsh** in Bonn

BRITAIN is negotiating with its Nato allies to secure ammunition for its Gulf forces free of charge. It has had to turn to the US, Germany, and the Netherlands to boost its own supplies of 155mm howitzer shells and munitions for multiple-launch rocket systems.

Officials are discussing possible terms for "borrowing" the ammunition, which could be returned in the event of a conflict being averted.

This month, Mr Tom King, UK Defence Secretary, appealed to allies to increase their practical support. Several countries, including Belgium and Spain, are helping with the airlift of British reinforcements to Saudi Arabia, and Portugal has provided a chartered ship.

Britain yesterday denied reports of an ammunition shortage among its forces in the Gulf, but acknowledged that Germany and the Netherlands had offered to supply ammunition for its troops there.

"We are confident that the ammunition already there [in the Gulf] or in transit is sufficient for our purposes," said the Ministry of Defence.

"All the ammunition that has gone so far to the Gulf comes from our own stocks. . . but we welcome the offers," the ministry said. "It's part of the multi-national contribution to the defence against Iraqi aggression against Kuwait."

The MoD was responding to a BBC report that said Britain was unable to maintain ammunition stocks at war levels even though British production lines were working at full capacity.

● Concern grew yesterday within the German government about the apparent build-up to war in the Gulf.

A senior Bonn government official said that Germany was in the dark about the intentions of the US military, but voiced fears that these could include a direct attack on Iraq. Unlike in the Vietnam war, a conflict in the Gulf "would directly affect Europe," the official said, adding: "We would not be able to stay on the sidelines."

Chancellor Helmut Kohl has been hoping for a compromise to win an Iraqi withdrawal from Kuwait. The apparent diminution of chances of such an accord are raising worries in Bonn that German public opinion would prove unwilling to back US military action.

Mr Hans-Jochen Vogel, leader of the opposition Social Democratic Party, said Bonn must warn Washington against the idea that an "automatic mechanism" would lead inevitably to war with Iraq.

Bonn is concerned about the economic consequences of a war, both in connection with its own position and because of the inevitable effect this would have in deepening pessimism about the outlook for the Soviet Union and eastern Europe.

Gulf leaders edge towards Iran

by **Tony Walker** in Cairo

RULERS of Gulf states decided at the weekend to seek closer ties with Iran, so as to counter military threats from Iraq.

They are discussing new security arrangements to guard against further upheaval in the region.

Meeting in the shadow of a possible war, jittery member states of the Gulf Co-operation Council – at their annual summit, held this year in Qatar – were determined to tighten mutual defence co-operation.

Sheikh Khalifa Bin Hamad al-Thani, the Emir of Qatar and the summit's host, said: "We need to establish a more effective security system to. . . shield our region against the recurrence of aggression."

The GCC – formed in 1981 and including Saudi Arabia, Kuwait, United Arab Emirates, Qatar, Oman and Bahrain – has been rocked by the Iraqi invasion of Kuwait on August 2. Its leaders admitted the organisation's failure to deter Iraqi aggression.

Efforts to improve relations with Iran have been stepped up. Gulf rulers now believe that Iran needs to be strengthened, to act as a counterweight to Iraq.

Saudi Arabia, which dominates the GCC, has recently been edging towards the resumption of relations with Tehran, which were broken off in 1988 after Iranian pilgrims had rioted in Mecca the previous year. It now seems only a matter of time before ambassadors are exchanged.

Such a development would help set the tone for closer collaboration between the oil-rich GCC states and Iran, which desperately needs assistance to rebuild its shattered economy after the ravages of the eight-year war with Iraq.

Gulf rulers also discussed, in closed sessions at the weekend, what accommodation might be reached with Iraq, if it were to agree to remove its forces from Kuwait peacefully.

Discussion focussed on possible arrangements that might allow Iraq, which is virtually land-locked, to lease Kuwaiti islands at the head of the Gulf so as to obtain access to the sea.

However, Kuwait's representatives were said to be insisting that there should be no hint of compromise.

Opinion was divided among Gulf rulers as to whether sanctions, joined with Arab and other international peace efforts, should be given more time to work before military action were initiated against Iraq.

Israel grapples with rising tide of Soviet Jewish immigrants

THE tide of Soviet Jews to Israel turned to a flood over the weekend with the arrival of 5,500 immigrants fleeing food queues and instability in the Soviet Union, Reuter reports from Jerusalem.

"The current situation in the Soviet Union – growing tension, political instability and uncertainty – has the effect of making a growing number of Jews decide to come to Israel now, not in a week or a month," a Jewish Agency spokesman said.

The agency is organising the exodus. It said up to 50,000 Jews in the Soviet Union already had valid visas for Israel.

"This wave is not going to stop. We have to get used to a new phase in the immigration to Israel. Three weeks ago. the number of arrivals was 800 a day. Now we should expect 1,200 to 1,500 a day," the spokesman added.

The agency expects the country to have 1m Soviet immigrants by the end of 1991 – equivalent to a fifth of Israel's current population.

The government told state airline officials last week to prepare all available aeroplanes for a big airlift of Soviet Jews from Bucharest, Budapest and Warsaw (transit points for Soviet Jews).

There are no direct scheduled flights between Israel and the Soviet Union and there have been no full diplomatic relations since Moscow broke ties over the 1967 Middle East war.

Forty-one flights landed at Tel Aviv airport in the 48 hours to noon yesterday, airline officials said.

More than 7,000 newcomers have landed since flights were increased last Wednesday – 5,500 of them since Thursday, the agency said, adding that surge was in line with agency forecasts of 400,000 arrivals in 1991. About 200,000 are expected this year.

Religious leaders approved flights normally banned on Saturday, the Jewish sabbath, under a principle in Jewish law which gives the saving of human life priority over other religious obligations.

Zambia maintains sense of perspective over Aids

Mike Hall examines a change in social attitudes

AS A topic for discussion in Lusaka's many drinking houses and markets, Aids comes a close second to multi-party politics. Zambia marked World Aids Day recently with the Ministry of Health and numerous local voluntary organisations pushing the safe sex message through posters, radio and television, and condom hand-outs.

There has been a marked shift in official attitudes over the last three years. Few Zambians talked openly about Aids before then. The turning point came when President Kaunda bravely announced in 1987 that one of his own son's had died of the disease. "It helped us a lot," said one health worker.

But how serious is Aids? Zambia, like other countries, has scant knowledge on how many of its 8m people have been infected by the immuno-deficiency (Aids) virus.

Official statistics show a total of 3,155 full Aids cases and 337 deaths between 1986 and June this year. Of another 12,815 people reported HIV positive over the same period, 461 have died from "Aids-related complexes". The figures are derived from patients attending about 200 hospitals throughout the country, and it is widely accepted that they do not give a true picture of the extent of the disease.

"Aids specific mortality figures are hardly available," said an official report recently, "as most Aids patients who die are not registered as Aids deaths and many others may have died at their homes without any registration."

The secretary-general of the ruling party recently announced that in urban areas up to 24 per cent of pregnant women carry the virus. Just less than half their babies would be infected.

However, government experts say these figures are either unreliable or unrepresentative of the country as a whole. They are reluctant to divulge their own projections.

"People are obsessed with making predictions," said Dr Ben Himonga, the government's Aids manager. "We are not helping the community by publishing reports that only lead to fear and confusion. It encourages stigmatisation of those identified as Aids patients or suspected of being infected."

Reliable statistics or not, Zambia acknowledges Aids as a severe problem, placing an enormous strain on health and social services, contributing to child mortality, the breakdown of the extended family and a rise in the number of orphaned children.

President Kaunda told a political rally recently: "It is important that, as your leader, I speak plainly. We have lost in Zambia many brilliant young men and women because of Aids." Although there is little reliable research on the full impact of the disease, perception of the problem has caused a mushrooming in activity by government, voluntary groups and aid donors.

The government says it can now screen 75 per cent of all donated blood. There are trained counsellors in every district hospital where basic supplies are available and numerous voluntary groups are working on Aids. Kara House, a drop-in centre in Lusaka, runs counselling services. The anti-Aids project organises health education in schools and colleges and has set up "anti-aids clubs."

Some groups are working with prostitutes in the townships and several others run educational projects in different parts of the country. There is also growing regional co-operation by governments and voluntary groups.

But some believe undue attention is being given to Aids. Set against the problem of malnutrition, and other diseases, especially malaria and diarrhoea, Aids is by no means the biggest killer.

The World Health Organisation published a report earlier this year, drawing attention to the impact of six major tropical diseases which it said affected 500m people and were in danger of being neglected.

"I do not say we should be complacent," said Mr Krishnamurthy Pushpanath, regional representative of Oxfam, the British-based charity. "But we must put the problem into a proper perspective against other disasters affecting the continent. Africa suffers from avoidable famine and far more people die of preventable diseases than Aids."

Like other countries, Zambia is struggling with a difficult, threatening problem. Zambians are finding innovative ways of coping but the question is whether enough people alter their sexual behaviour in time to avoid a disaster on the scale that many are predicting.

Students demand trial of Ershad

MORE than 1,000 student demonstrators yesterday marched in the streets of Dhaka, demanding immediate trial for deposed President Hossain Mohammad Ershad of Bangladesh, witnesses said, AP reports from Dhaka.

The students, from Dhaka University, have been at the forefront of efforts to oust Ershad. They vowed to hold national demonstrations on Wednesday to press for the trial of Ershad and his associates.

Ershad, a former army general who seized power in a bloodless coup eight years ago, stepped down on December 6.

Surinamese army on stand-by

Surinam's army has been put on stand-by following the resignation of army chief Desi Bouterse, the Dutch news agency ANP reported from the Surinamese capital Paramaribo yesterday Reuter reports from Amsterdam.

He said he was resigning because President Ramsewak Shankar had failed to protest to the Netherlands after Dutch police stopped him meeting journalists while in transit at Amsterdam airport.

Bouterse seized power in Surinam in a military coup in 1980, five years after it had obtained independence from the Netherlands. Surinam returned to civilian government in January 1988 under Mr Shankar.

Chinese state of war to end

The Chinese Nationalist government on Taiwan will formally end in May the state of war it declared against the rival Chinese Communists in 1948, AP reports from Taipei.

Presidential spokesman Cheyne Chiu said the decision would be expected to help moves to reunify China and Taiwan, which have been separated since 1949 when the Nationalists retreated to the island, having lost a civil war to the Communists on the mainland.

Pakistan receives offers of oil

Pakistan has received offers from 20 international oil companies to supply 1m tonnes of oil products for the first quarter of 1991, officials said, writes Farhan Bokhari in Islamabad.

The oil minister, Mr Nisar Ali Khan, said that Pakistan has no commitments for oil imports from January to April next year. Mr Khan is due to visit Saudi Arabia, Abu Dhabi and Iran next month, in an attempt to seek oil, economic assistance and export markets.

Blacks killed in S Africa

Seven black people, including a policeman, have been killed in renewed fighting among political factions in South African townships, police said yesterday, Reuter reports from Johannesburg.

The policeman was shot dead while guarding a women's hostel in Alexandra township, north of Johannesburg, on Saturday night. Six other bodies were found in the Natal province townships of KwaMakuta, Matumbisa and Dongonya yesterday morning.

About 4,000 people have died in the battles for political supremacy in Natal townships since January 1987.

Vietnam complains over workers abroad

The Vietnamese government has complained to Bulgaria about the maltreatment of Vietnamese workers there, the official Radio Hanoi reports, AP writes from Bangkok.

Vietnamese Deputy Foreign Minister Vo Khoan handed a memorandum to Bulgarian Ambassador Geno Toshkov, saying that Vietnamese workers "have been manhandled by bad elements" in various parts of Bulgaria recently.

Some 24,000 Vietnamese work in Bulgaria, mainly on construction projects.

Chad given aid by France

Chadian Foreign Minister Ahmad Soungui said yesterday he had obtained $90m in emergency aid from France, his country's former colonial power, Reuter reports from Paris.

"That is just about what we asked for. It is a minimum to get the country going again," Soungui said at the end of an official visit to Paris.

He gave no details, but French radio said $60m was to cover a deficit in Chad's budget this year and the remainder would go into the 1991 budget. French officials had no immediate comment.

India to introduce privatisation

By **David Housego** in New Delhi

THE NEW Indian administration plans to announce limited privatisation measures, as part of emergency moves to meet the country's fiscal and balance of payments crises.

Among measures under review to increase foreign exchange earnings are potentially controversial schemes to allow resident Indians to repatriate foreign exchange illegally held abroad, and to offer dual nationality to non-resident Indians.

Senior officials say that the latter measure would allow Indians living abroad to purchase an Indian passport for $1,000 to $2,000. This would enable them to visit India more easily and to acquire land, but would not provide voting rights.

The measures, as disclosed by senior ministers and officials, reflect the increased pragmatism of Mr Chandra Shekhar's administration, which had begun by calling itself socialist.

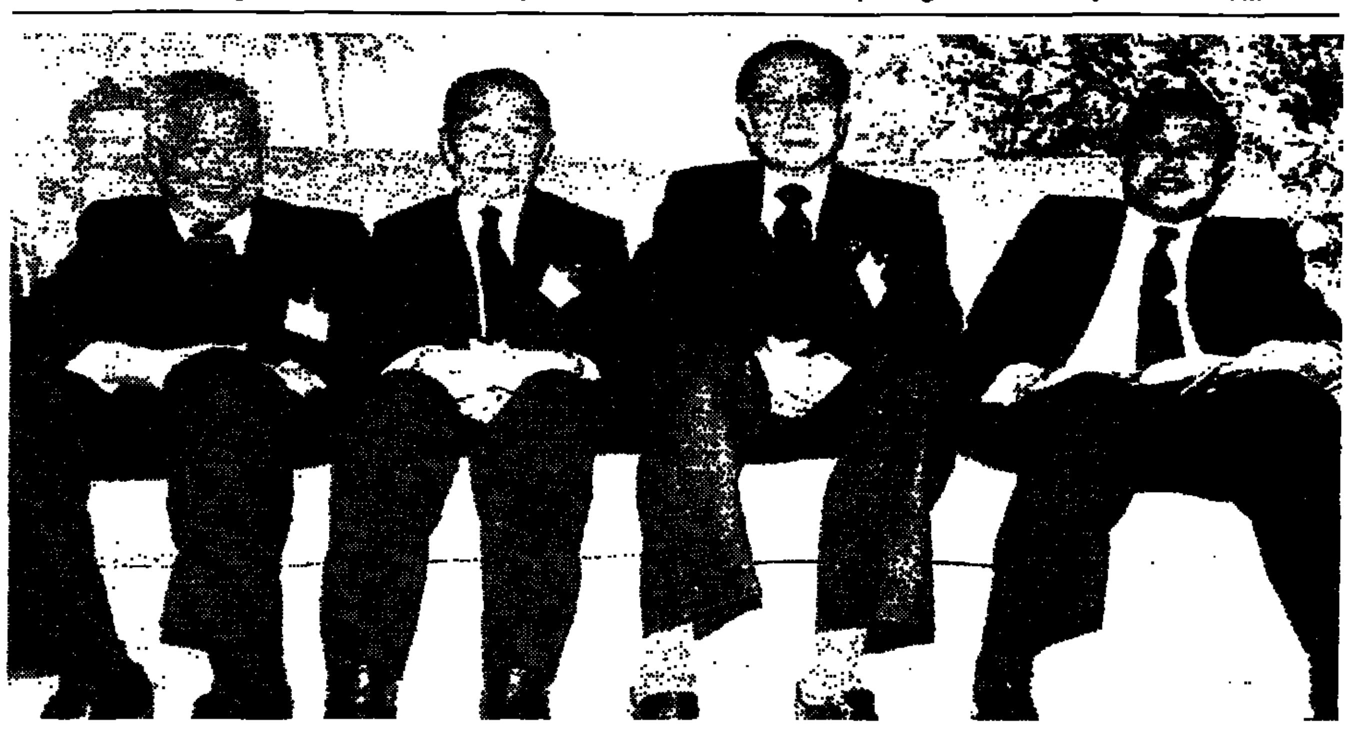
They also reflect the government's readiness to embrace almost any short-term expedient that avoids the conditionality of structural adjustment which would accompany a large borrowing from the International Monetary Fund.

Mr Shekhar confirmed, at his first news conference in Delhi at the weekend, that India was negotiating with the IMF, but also that it was hesitant about the conditions that would be attached to a large borrowing.

Senior ministers revealed that the privatisation proposals would allow public sector groups – such as Air India and the Oil and Natural Gas Commission – to bring in private shareholders by raising funds through the stock market which would dilute their equity. Mr Shekhar publicly ruled out privatisation at his news conference, though this was thought to refer to asset sales.

The proposed measure that would allow Indians to repatriate illegally held foreign exchange will come under strong attack as rewarding those who have built up their fortunes illicitly. Also, any decision to allow non-resident Indians to buy an Indian passport will be resented as favouring those considered to have deserted their country.

Ministers say that the area Mr Shekhar is least likely to liberalise is foreign investment, where he remains hostile to any increase in influence by multinationals.



Meeting for the first time since 1979, four Cambodian leaders in Paris at the weekend are (from left) Khieu Samphan of the Khmer Rouge, Kong Som Ol of the Phnom Penh government, Son Sann and Norodom Ranariddh of two non-communist guerrilla factions

Cambodian peace talks make progress

By **Ian Davidson** in Paris

CAMBODIAN government and opposition groups have moved close to agreement on the broad approach of the UN peace plan for Cambodia, in two days of negotiations which ended in Paris early yesterday.

The peace plan, sponsored by the five permanent members of the UN Security Council, would involve handing over broad political powers to a transitional UN administration, which in turn would implement a ceasefire and supervise free elections.

A final communiqué said that the Cambodian Supreme National Council, which includes the Phnom Penh government of Mr Hun Sen and three opposition groups, agreed with "most of the fundamental points" of the draft peace plan.

The three opposition groups include the Khmer Rouge, the supporters of Prince Sihanouk, and the right-wing nationalist group of Mr Son Sann.

The main sticking points in the weekend negotiations were the objections of the Phnom Penh government to the provisions in the UN peace plan which require demobilisation and disarmament of military forces in Cambodia. It appears that Mr Hun Sen is also insisting that the peace plan should mention "genocide" in a reference to the record of the Khmer Rouge left-wing guerrillas when in government.

After the meeting Mr Roland Dumas, French foreign Minister, said "the argument is now very circumscribed, very limited", and added that the negotiation "gave some hope" for the peace plan.

In the next stage of negotiations, the remaining differences will be referred to a meeting of the co-ordination committee of senior officials of the participating groups, which Mr Dumas said should "reasonably" take place during the first quarter of 1991.

This should pave the way for a formal reconvention of the International Paris Conference on Cambodia. But Mr Dumas said that an important condition for the recall of the conference would be that "all the parties to the conflict should show real restraint on the field of battle".

A new guardian of the displaced

Stefan Wagstyl profiles the UN High Commissioner for Refugees

MRS SADAKO OGATA, the Japanese professor who has been named UN High Commissioner for Refugees, is under no illusions about the challenge of her new post.

She has the quiet manner of a scholar, but the 63-year-old showed at a weekend news conference plenty of the mental toughness she will need trying to help the world's displaced millions.

"The number of refugees has doubled in the past 10 years. I would hope that kind of doubling will not continue. But, from what I have read and from reports, I believe the refugee situation is quite likely to get worse," she said.

In Asia and in Africa, the position of refugees was serious, she said. In Latin America, the situation had improved after the removal of certain military dictatorships.

However, there was now great concern in Europe about the possibility of more refugees from the Soviet Union. "The question is what happens in Europe. This has global implications," she said.

Mrs Ogata comes to the post with a formidable record of work for the UN and for refugees. In 1978-79, she was Tokyo's representative at the UN, one of the few Japanese women to have reached ambassadorial rank and the only one to have filled such an important post. She was the UN special emissary to investigate the plight of Cambodian refugees on the Thai-Cambodian border.

She has been Japan's representative on the UN Commission for Human Rights and chair of the executive board of the UN Children's Fund. She recently completed a UN-sponsored human rights mission to Burma.

Mrs Ogata's appointment will raise expectations that Japan, the second-largest donor to the UNHCR after the US, may increase its contribution. A sudden rise in Japanese aid seems unlikely, but Mrs Ogata hopes that some extra support may be forthcoming.

Asked about increased Japanese aid, she smiled at the Foreign Ministry officials with her and said: "My government has promised to support me."

She is aware that Japan has had a poor reputation in the west regarding its willingness to admit refugees, but she said the position had changed in the decade since 1979, when the government admitted refugees for permanent settlement for the first time. "I'm not saying that the changes are enough, but I think we are heading in the right direction."

The traditional Japanese idea was that, as a densely populated and culturally homogenous country, Japan could not afford to admit refugees, said Mrs Ogata. Even so, Japan was becoming more open. Most refugees, though, preferred countries with long histories of openness to refugees, especially the US and Canada.

Some 7,000 refugees have settled in Japan, well short of a government quota of 10,000. Tokyo regularly sends "recruiters" to East Asian countries, but not with much success.

Outlining her policies, Mrs Ogata said that, as well as dealing with outflows of refugees and with their resettlement, the UNHCR had to become involved in prevention – that is, in trying to deal with difficult conditions before people felt forced to flee their homes. "Reaction alone is not enough," said Mrs Ogata.

Prevention was particularly important in dealing with economic refugees – those who fled poverty rather than political oppression. Mrs Ogata said economic development aid could be used encourage such refugees to return home.

She was asked about the controversy over Vietnamese refugees in Hong Kong, who are being repatriated if they do not oppose returning to Vietnam, and about the repatriation to China of Chinese who arrived in Japan posing as Vietnamese boat-people.

Mrs Ogata said the solution to each problem was different – however, "as a matter of principle, I am against forcible repatriation."

Menem to pardon former army rulers

By **Our Foreign Staff**

PRESIDENT Carlos Menem hopes to heal Argentina's wounds by a controversial move to pardon former military rulers and a guerrilla leader jailed for crimes committed during the internal mayhem of the 1970s.

"The [pardons] will come before the end of the year. I am sure that, with this, I will close an old wound in our country," Mr Menem said in a magazine interview.

The president plans to free two former military presidents, General Jorge Videla and Gen Roberto Viola, a former junta member Admiral Emilio Massera, former police chiefs Gen Ramón Camps and Ovidio Richieri, and a former Peronist guerrilla leader Mr Mario Firmenich.

According to an official inquiry in 1984, the year after the military relinquished power to an elected government, about 9,000 people disappeared – and government forces abducted, tortured or killed thousands more – during the campaign by the previous regime to quash guerrillas and dissidents.

Mr Menem hopes to give the armed forces, which have staged six successful coups in their country this century, a chance to reconcile themselves with civilians and to return permanently to the constitutional fold – goals his critics doubt that the pardons will achieve.

Opposition politicians, human rights groups and members of Mr Menem's own Peronist party say a violent rebellion by nationalist army and coast guard personnel on December 3 indicated he was facing an impossible task of reconciliation.

Mr Menem had pardoned some of the leaders of the uprising last year for their part in three revolts under his predecessor, Mr Raúl Alfonsín. However, the captured rebels could now face firing squads.

"First he pardoned them and now he wants to shoot all of them," Mr Alfonsín, leader of the Radical party, said this week.

Human rights groups, which argue that nearly two-thirds of Argentines oppose the pardons, say the measure is unfair because it creates inequality.

Mr Menem, who was under arrest for five years without formal charges during the military regime, promised the pardons last year.

They follow those he gave in October 1989 to dozens of armed forces members and former guerrillas involved in the civil strife, and to hundreds of nationalist rebels.

Gen Videla, Gen Viola and Adm Massera were sentenced to long prison terms by a civilian court in 1985. The decision was hailed by human rights groups as a rare bringing to justice of Latin American political strongmen.

"The government wants to erase our memories but we will not forget. The day after Menem announces the pardons, we will gather in every square in every city to protest," said Mrs Graciela Fernandez Meijide, an Argentine human rights activist whose teenage son disappeared during the strife.

WORLD ECONOMIC INDICATORS

TRADE STATISTICS

		Oct.'90	Sep.'90	Aug.'90	Oct.'89
UK (£bn)	exports	8.748	8.775	8.539	8.142
	imports	9.812	9.588	9.739	9.827
	balance	-1.064	- 813	-1.200	-1.685
France (FFrbn)	exports	102.442	93.980	98.313	95.868
	imports	108.307	104.603	103.530	104.475
	balance	-5.865	-10.623	-5.217	-8.607
Japan (US$bn)	exports	25.167	24.273	23.458	22.015
	imports	19.280	18.600	17.446	16.521
	balance	+5.887	+5.673	+6.012	+5.494
US ($bn)	exports	34.773	32.010	32.548	31.437
	imports	46.384	41.336	42.282	41.589
	balance	-11.611	-9.326	-9.734	-10.152
W. Germany (DMbn)	exports	55.50	51.80	54.50	53.60
	imports	48.10	47.20	47.80	43.50
	balance	+ 7.40	+ 4.60	+ 6.70	+10.10

UK NEWS

Opposition MPs urge statement on suggestion that naval base faces closure

Government pressed on defence cuts

LABOUR, the main UK opposition party, is to demand a parliamentary statement on the government's plans for cuts in the armed forces after MPs return from the Christmas recess on January 14.

Mr Martin O'Neill, the opposition spokesman on defence, called for the statement after weekend press reports that the government was planning deep cuts in troop numbers, with up to 100,000 military and civilian redundancies and the closure of the naval dockyards at Rosyth, Scotland, and Portland, on the English south coast.

Mr O'Neill said: "It seems strange that with 30,000 troops in the Gulf and the Soviet Union in a state of uncertainty that the plans for cuts in the army should be so far advanced."

Mr Gordon Brown, Labour party spokesman on trade and industry, said he would seek a meeting with Mr Tom King, defence secretary, to demand that the government rule out "the alarming wrong-headed and crass attempt to run down the Rosyth naval base and dockyard".

Mr Brown, whose constituency includes the dockyard, added: "With 5,000 employed in Rosyth dockyard and 2,000 in the Rosyth naval base, Rosyth is Scotland's biggest single industrial concern. Any run-down would be devastating for the Scottish economy, would concentrate naval resources in the south and would reduce essential naval recruitment from the north."

Mr Jack Dromey, spokesman for trades unions representing about 70,000 defence industry workers, said they would seek an urgent meeting with Mr John Major, the prime minister.

The Ministry of Defence (MoD) said: "As has already been made clear, a review of defence commitments is under way to take account of political developments in Europe. A variety of options, which will mean cuts, are being considered. When decisions are made they will be announced."

David White writes: Radical changes in fleet support and maintenance operations are under study by the navy and senior officers have warned that some facilities are likely to close. But measures as drastic as complete closure of the navy's Rosyth facilities are beyond the bounds of most expectations.

The studies are not expected to be concluded until the spring – along with many other elements of the government's "options for change" defence review, outlines of which were announced in July.

Decisions are expected to be announced progressively over the next few months, although the whole exercise is unlikely to be finished in time for the annual defence policy paper in April.

MoD officials have wanted to press ahead with the work, despite the Gulf crisis. But Britain's military involvement in Saudi Arabia is clearly delaying decisions in some areas.

Manpower cuts now appear likely to go deeper than the outline plans announced in July, which involved some 58,000 uniformed jobs – an average 18 per cent reduction in service strengths – and about 20,000 of the MoD's 140,000 civilian posts.

The army, set to be cut by a quarter to 120,000 by the mid-1990s, is now understood to be working on a lower figure of about 115,000 to make room for more spending on equipment to enable it to adapt to new roles. This would leave it with little more than 100,000 trained personnel.

The plans include a sharp cut in armoured units and air squadrons based in Germany, a much smaller submarine fleet and a reduction in the navy's 48 frigates and destroyers to "about 40".

SMALL BUSINESSES

Labour begins assault on Tory record

By Ivo Dawnay, *Political Correspondent*

SMALL business failures have increased by 60 per cent in the past year and are rising faster than at any time in the past decade, according to the UK opposition Labour party, which yesterday began a new assault on the government's economic record.

The hithertoo unpublished figures, compiled from winding-up petitions registered at the Lord Chancellor's office, come as part of a renewed effort by the opposition to undermine public perceptions of the Tories as more competent than Labour at economic management.

They show small business failures are now running at some 1,600 a month compared to 1,000 a month last winter, leading Mr Gordon Brown, Labour's opposition trade spokesman, to condemn Mr John Major, the prime minister, as one of "the architects of the recession."

Gordon Brown

Labour has promised to release a detailed dossier on the figures in the near future as part of its New Year campaign to concentrate on the party's alternative economic policy. Other steps will be the publication of several new detailed policy documents including an industry policy paper, aimed at outlining Labour's plans for a partnership between industry and government.

This will involve plans for training schemes to meet skills shortages, measures to inhibit hostile takeovers and programmes to enhance the disseminaton of new technologies.

The Labour leadership is acutely concious that while it leads the Tories in opinion polls on many social issues such as education and health, it trails far behind on questions about economic competence.

Yesterday this message was reinforced by a Gallup poll showing that 71 per cent of investors regarded Mr Major as quite or very capable of running the economy against only 23 per cent for Mr Neil Kinnock, the Labour leader.

There is also a growing body of opinion at the party's Walworth road headquarters that Mr Major may opt for a quick general election in February and March. This, they calculate, would allow the Tories to capitalise on their current narrow poll lead before unemployment rises and before new poll tax bills land on voter's door mats.

Condemning the government's record yesterday, Mr Brown said: "No other country in Western europe is experiencing the same shake-out of small business and job losses.

"It is now urgent that the government's inactivity be brought to an end. No changes have been signalled in the failed economic policies of Mrs Thatcher since Mr Major took power."

● SHARES OF small companies in Britain have fallen in 1990, for the first year since 1974, according to research by Hoare Govett, the stockbroker, and the London Business School.

Smaller companies have also underperformed the larger ones, contrary to Hoare Govett's prediction at the start of 1990. The Hoare Govett Smaller Companies index has produced a negative total return of 23 per cent, compared with a negative return for the FT-A All-Share Index of 9.5 per cent.

Taking capital movements alone, the HGSC has fallen 26.6 per cent and the FT-A All-Share Index by 13.9 per cent.

UK NEWS

Once-a-year Christians ready for the ritual

Alan Pike reports on a church mission to persuade 'passing trade' to attend regularly

Church membership
Main denominations total active members (millions)

Estimate Source: UK Christian Handbook

FOR ABOUT 90 minutes around midnight tonight Britain will take on the appearance of a Christian country.

Millions of people will begin the celebration of Christmas by going to church. Among the worshippers, however, will be some who have not entered a church since last Christmas and are unlikely to appear again until the same time next year.

Clergy have long been accustomed to the substantial number of strangers who, for whatever reason, include a visit to church among the fairy lights, gifts, turkey and other well-established elements of Christmas ritual.

This year, however, two things are different. For the first time in at least 20 years there is some evidence that regular churchgoing, as opposed to the once-a-year variety, may be increasing. And the Christian churches are about to launch an ambitious Decade of Evangelism in a joint effort to spread the gospel and combat secularism in the approach to the second millennium.

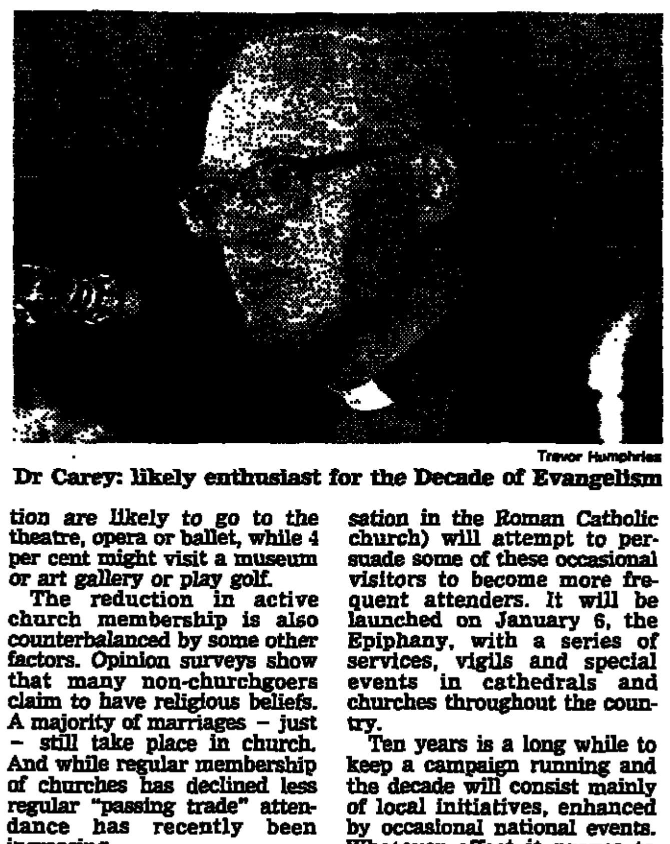
Church of England attendance rose slightly in 1988 with 1,165,000 people going regularly to its services, while in nearly a quarter of the dioceses the increase was between 2 and 7 per cent.

Candidates for confirmation increased by 3 per cent and giving money rose 5 per cent in real terms.

This is a fairly fragile basis from which to argue that there has been an explosion of new interest in religion and the Church of England authorities have reacted cautiously to the figures. They do, however, represent the first upturn since the church began keeping records in 1968, and they coincide with reports from the Roman Catholic and free churches of a slowing in the remorseless rate of decline in church attendance which has been a characteristic of recent decades.

Declining church attendance is nothing new. The 1851 religious census found that 40 per cent of adults worshipped regularly. A century later this had fallen to 20 per cent, and today about 15 per cent of the adult population are active members of the main Christian churches.

Neither is the decline in participation restricted to the churches – on the contrary, the regular support of 15 per cent of the population is positively huge compared with the numbers who play an active part in other community, voluntary, political or even leisure activities in the television age. In a typical month only 5 per cent of the adult population are likely to go to the theatre, opera or ballet, while 4 per cent might visit a museum or art gallery or play golf.



Trevor Humphries
Dr Carey: likely enthusiast for the Decade of Evangelism

The reduction in active church membership is also counterbalanced by some other factors. Opinion surveys show that many non-churchgoers claim to have religious beliefs. A majority of marriages – just – still take place in church. And while regular membership of churches has declined less regular "passing trade" attendance has recently been increasing.

The Decade of Evangelism (called the Decade of Evangelisation in the Roman Catholic church) will attempt to persuade some of these occasional visitors to become more frequent attenders. It will be launched on January 6, the Epiphany, with a series of services, vigils and special events in cathedrals and churches throughout the country.

Ten years is a long while to keep a campaign running and the decade will consist mainly of local initiatives, enhanced by occasional national events. Whatever effect it proves to have on church attendance, the decade's ecumenical nature will reinforce a growing sense of co-operation between Britain's Christian churches.

The British Council of Churches was replaced in the autumn by Churches Together in England, which brings the Roman Catholic church into the ecumenical structure, and the decade is supported by all denominations including black-led and pentecostal churches and house groups.

Representatives of other denominations were involved in the consultations leading to the selection of Dr George Carey as the next Archbishop of Canterbury next year, and he comes to the post with a wide degree of support outside the Church of England.

Dr Carey is likely to prove an enthusiast for the Decade of Evangelism although some of his ideas for attracting worshippers may cause ripples in traditionalist circles.

He has warned against the church appearing too respectable by using language and forms of worship which are not accessible to ordinary people, and believes that to succeed it must be managed efficiently.

As Anglican clergy plan their personal contributions to the Decade of Evangelism, some may be reflecting on the fact that their new archbishop favours performance appraisal.

Conditions tougher for textile industry

By Alice Rawsthorn

THE COMBINATION of the strong pound and high interest rates poses a serious threat to the stability of the textile and clothing industries, the latest industry statistics indicate.

The textile industry has seen job losses and lower capacity because of increasing imports and weak demand during the past two years.

These difficulties have been aggravated recently by the strengthening of the pound on the foreign exchange markets. UK companies have had even more trouble competing against their overseas counterparts.

Textile and clothing imports into the UK rose by 8 per cent to £6.1bn in the first nine months of 1990, according to the Apparel, Knitting & Textiles Alliance. The rate of import growth accelerated as sterling appreciated in value.

During the same period exports increased by 16 per cent to £3.3bn. Exports slowed, however, as UK companies faced stiffer competition in the export market.

The industry did succeed in preventing another increase in its trading deficit during the first three quarters of 1990. The deficit, at £2.8bn, was virtually the same as in the corresponding period of the previous year.

The pressure on the industry in the international marketplace has been aggravated by instability in the domestic market for textiles and clothing. The slowdown in consumer spending, coupled with the financial difficulties of several large clothing retailers, notably Next and Storehouse, has created an intensely competitive climate for the industry.

Certain sectors have also been affected by specific difficulties. The collapse of the housing market has affected demand for home products such as carpets and furnishings.

Similarly, this summer's steep decline in wool prices has caused serious difficulties for wool textile companies.

There have already been significant job losses across the industry. The numbers employed in textiles and clothing had fallen to 480,000 by the end of September compared with about 500,000 two years ago.

In recent months industry figures have warned that further job losses are inevitable unless economic conditions improve.

Christie's calls for funds to stem export of art treasures

MR Charles Allsopp, chairman of Christie's, has accused the government of not giving museums enough money to keep art treasures in Britain.

Writing in the January issue of The Antique Collector, Mr Allsopp said Britain was being left behind by the rest of the world in its art ownership because the government was relying on private individuals to patronise the arts.

He said the government should increase funding for museums and galleries, allowing them to buy the sort of famous pieces which would attract tourists.

Some works of art have increased in value by more than 100 per cent in the last two years because of the weakness of the pound and the rise in international art prices.

In the same magazine, Gervase Jackson-Stops, architectural adviser to the National Trust, claimed many works leave Britain because the Treasury cannot agree values with families offering them in lieu of death duties. He suggests works presented to museums should be set against income tax and capital gains tax up to a certain limit.

He adds: "Unless museum purchase grants are enormously increased, this would seem to be the only way to avoid the continuing succession of crises as yet more of our national treasures disappear abroad".

Arts, Page 9

River alert as kerosene spills

EMERGENCY services were put on alert yesterday after 200,000 litres of kerosene overflowed from a tank and threatened to pollute the River Kennet in Berkshire.

The fuel spilled from a container on the British Pipeline Agency site in Aldermaston, near Newbury, and was contained in underground interceptors, according to the company.

However, police said they believed a small amount did escape into the watercourse which feeds the river.

The National Rivers Authority said the risk to the watercourse "at the moment is minimal". It added: "There has been some contamination of the ground within their site."

Levitt Group auditor faces probe

By David Barchard

STOY HAYWARD, the 10th largest UK accountancy firm, is to have its role as auditor of the failed Levitt Group examined by the Institute of Chartered Accountants of England and Wales.

The Financial Intermediaries and Brokers Regulatory Association (Fimbra) – the investment industry watchdog – said yesterday that it had passed the relevant papers to the institute for examination.

"We would have been in contact with the ICA on this matter in any case," Fimbra said. "But in this case, the institute wrote to us asking if there were any matters we wished to draw to their attention."

He added that it was by no means unprecedented for Fimbra to refer cases to the institute when it felt concern about the auditing standards involved.

If the institute establishes a prima facie case that the auditing work was not done to a sufficiently high standard, the matter could be referred to the joint disciplinary scheme of the institute, which has powers to issue a formal criticism if it finds an auditor was at fault.

Fimbra's move reflects growing concern about the accounts of the Levitt Group, which Stoy Hayward audited for the 12 months to December 1988.

Stoy Hayward has pointed out that it had not completed the audit of the Levitt Group for the 18 months ending in June this year. It also emphasised that the difficulties at Levitt came to the attention of City regulators partly as a result of the audit process, as it told Levitt in September to write a letter to Fimbra after it became clear that Levitt's accounts would miss Fimbra's filing deadline of 31 October.

The Levitt Group collapsed two weeks ago, leaving about 20 clients with losses of between £20,000 and £2m each.

Mr Roger Levitt, founder and former chairman and chief executive of Levitt Group, was charged on December 14 with stealing £665,000 from two clients.

MANAGEMENT

A starring role behind the scenes

Andrew Hill explains where the financial and artistic responsibilities lie in theatre management

Every week, Mark Hayward gets letters from satisfied theatre-goers, congratulating him on his production of Andrew Lloyd Webber's Phantom of the Opera.

The response is gratifying, but misguided, for Mark Hayward is not the producer of the sell-out musical, but the manager of Her Majesty's Theatre on London's Haymarket, where the production opened four years ago.

"People still think we run the show, but the whole managerial thing has changed in the last 30 or 40 years," says Hayward, who became one of the West End's youngest theatre managers when he was promoted to the top job at Her Majesty's in February 1988, aged 28.

Lasting popular shows like Phantom ("We expect it to be here at the turn of the century," says Hayward) are closely identified with their theatres, so the theatre-goers' misunderstanding is not surprising.

Indeed, the theatre manager is an important part of this production. Each evening, Mark Hayward patrols the foyer in white tie and tails for 45 minutes before curtain-up, because Cameron Mackintosh, the impresario responsible for staging the Lloyd Webber show (and other West End hits including Cats, Miss Saigon, and Les Misérables), demands it.

When the audience arrives, Mackintosh wants them to feel that they are entering the Paris Opera House of the 19th century, where the show is set.

In full evening dress, Hayward may look like a traditional impresario – a larger-than-life character who in times gone by would probably have directed the show and run the theatre – but the Phantom fan mail should go to the producer: Mackintosh. That is, unless you want to compliment or condemn Her Majesty's for the cleanliness of its ladies' lavatories, the behaviour of its usherettes, or the efficiency of its box office.

"My responsibility is for the overall day-to-day running of the theatre, excluding the show," explains Hayward. "Cleaners, wages, hiring and firing, front-of-house staff and making sure we stick to our licensing regulations."

Of 300 staff working on Phantom and in Her Majesty's, about 120 people answer to the theatre manager, of whom 80 or 90 are part-time.

But Hayward himself is also one link in a longer management chain. Her Majesty's is one of 12 West End theatres in a chain owned by Stoll Moss – part of the empire built up by Robert Holmes à Court and run, since his sudden death in September, by his widow, Janet.

As Richard Johnstone, Stoll Moss chief executive and deputy chairman, explains: "Mark Hayward reports to the company director who has overall responsibility for the theatre managers. The theatre managers work within a central structure which looks at strategic and policy issues."

It is Stoll Moss which is responsible for the central accounting and the negotiation of contracts with producers of new shows. It is Stoll Moss, for example, which has decided to install a computerised box office at its dozen theatres next year.

So although a West End appearance may be regarded by most actors and production companies as the pinnacle of success, for many theatre managers it is only a rung halfway up the ladder. Mark Hayward is hoping to move higher within the Stoll Moss structure, but a lot of administrators in the business seek greater autonomy, and even some artistic involvement, by working for theatres outside London.

Lynda Farran joined Manchester's Royal Exchange Theatre as administrator four years ago and is now executive director, managing a full-time staff of 160, compared with just eight at her last job with Cambridge Theatre Company.

Farran says the post of executive director, created within the last 18 months, reflects her increasing involvement in the strategy of the repertory company, both financial and artistic. "That's what's interesting about it to me," she says. "Otherwise one might as well be manager of a toothpaste factory."

Policy is discussed by a team which includes the executive director, the theatre's three artistic directors and a financial controller.

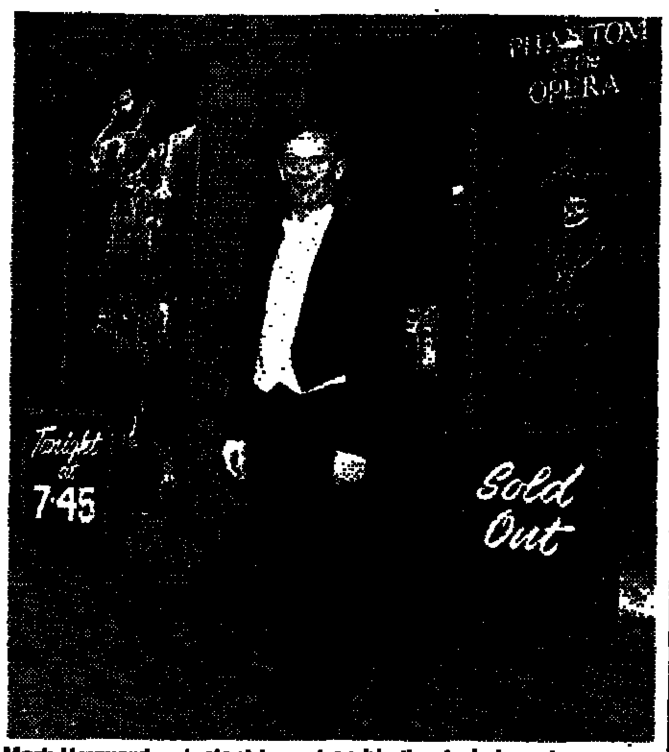
"Everybody brings an area of expertise to the team and everybody is consulted. Obviously when it gets to the nitty-gritty of weighing up the value of one classic against another, the artistic directors fight to the death, but I would advise them on all other matters," says Farran.

Beneath the main team, the Royal Exchange operates a stratum of senior managers. The day-to-day operation of the theatre is now delegated to a general manager – roughly equivalent to Mark Hayward at Her Majesty's – but senior staff answerable to Farran include the company and production managers. In effect, the Exchange has total artistic control over what happens beneath its roof, from productions to programmes.

The contrast with the situation in London is quite striking. Individual production companies may have to work closely with West End theatre managements on the ground, but they are quite capable of throwing their weight around if they do not like the management's policies.

That was well demonstrated in September 1989 outside another Stoll Moss playhouse, the Theatre Royal, Drury Lane, when Cameron Mackintosh distributed free cast lists to those attending previews of his own production of Miss Saigon, in protest at the "excessive" price of the official programme – set by Stoll Moss.

Farran's role also differs from that of a London theatre manager in that she and the Exchange have to cope with the rigours of staging nine different shows each year.



Mark Hayward: reluctant to rest on his theatre's laurels

Mark Hayward's task is to smooth the path of a long-running block-buster and mainly relates to the management of people – handling complaints from double-booked ticket-holders, for example, or, as happened earlier this year, telling an audience of 1,200 that the show had been cancelled because of a back-stage power cut.

Farran's principal worry, by contrast, is planning.

"You have to give yourself sufficient time to get the shows ready and get them built without getting involved in major expenditure," she says.

At this time of the year, with one production coming down and the Christmas show – The Beggar's Opera – about to begin, Farran bears ultimate responsibility for nearly 280 people, including two companies of actors on contracts negotiated with the Exchange.

Under such pressure, financial stability is clearly paramount. The Exchange is lucky in that its commercial ventures – restaurants, book and gift shops – feed off its artistic success. But although the theatre is usually full to 85 per cent of capacity and turns over £4.5m a year, the annual announcement of the Arts Council grants is still awaited with anxiety.

Even in the West End, there are warnings of darker times ahead, but although Stoll Moss refuses to trumpet the financial rewards of housing a hit show like Phantom, the threat of penury is not a problem familiar to Hayward and his team.

The show is sold out for ordinary theatre-goers until September 1991, and during the glamour days of the first two years even the Queen Mother had to book six months in advance for a birthday trip to see the musical.

Hayward says he is proud of that success, although he is careful not to gloat about it. "Phantom is fairly recession-proof. Sometimes I sit here and forget about the rest of the West End. But there are obviously other theatres around that aren't doing as well as we are."

Theatre administrators are fully aware that the fate of a company or theatre is not determined simply by the prospects of the current production. So although the pressures on the Exchange and Her Majesty's are different, Farran and Hayward are equally reluctant to rest on their theatres' laurels.

As Hayward puts it: "You can't sit back on your haunches and say, 'Great, we've made it, we're there'. If you lose the magic and mystery, people won't come."

Competitive performance

An 'adder of values' to the sum of the whole

Sir John Harvey-Jones considers an updated version of The Design Dimension to be thoughtful and optimistic

What is the characteristic which makes the British so unwilling to use their own unique sources of competitive advantage in industry? Christopher Lorenz's revised and updated edition of "The Design Dimension" reads as freshly and timelessly as when it was first published in 1986, and still retains its power to shock and dismay those of us who believe that the future of our country depends greatly on world competitive industrial performance.

The shock and dismay does not arise from the contents of the book, which is a thoughtful and optimistic call for the attention of manufacturers to be addressed to the advantages to be gained by imaginative use of industrial design. It arises from the realisation, yet again, that Britons live in a country where design is better taught, and worse utilised indigenously, than in any other European country.

The book is as relevant today as when it was first published. As well as discussing the philosophy of design and globalisation studies in depth, it includes a group of case studies showing how understanding and valuing the design dimension has transformed companies from the largest to the medium sized.

Above everything the case studies show the yawning gap between the companies which view design in terms of decoration, and those which see it in its true role of the integrating skill which brings the totality of a company's skills to bear on the market.

Christopher Lorenz is, for many of us, a true and original thinker whose insights and perceptions have influenced managers all over the world. The creative use of design is one of the catalytic forces which combine the fields of marketing, production, research and development into a homogeneous whole, which is greater than the sum of the parts.

It is a true adder of values in this sense, and more than an appendage of the marketing function.

I have spent much of my life in businesses where the direct application of integrated design is not in the mainstream of the business thrust. Even in such businesses, however, skilful use of industrial design can have a major role in the ways in which a company can work and present itself.

Again and again in the book it is pointed out that the correct use of design involves persuasion and "soft" management techniques,


Sir John Harvey-Jones

rather than instruction and the use of power.

Companies that understand the use of design and see it as a key area of potential competitive advantage gain immeasurably through this influence on the way in which management decisions are made. It is not only the Japanese who understand that discussion, involvement and iteration before the button is pressed for action produces better products, better commitment and substantial savings in time – all of which, of course, lead to better profit.

I am particularly delighted at the re-issuing and up-dating of the book today, for so many trends in business are making the roles of industrial design and marketing the major battlefields for the future.

It is intrinsically much more difficult, if not impossible, to have and hold an advantage in production technology. A robot in Rotherham is no better, and certainly no worse, than one in Osaka or Seoul.

Moreover, and even more significantly, the development of technology has massively reduced both the development time and hence the cost of new products, and has significantly affected the cost of novelty and hence the size of required production runs.

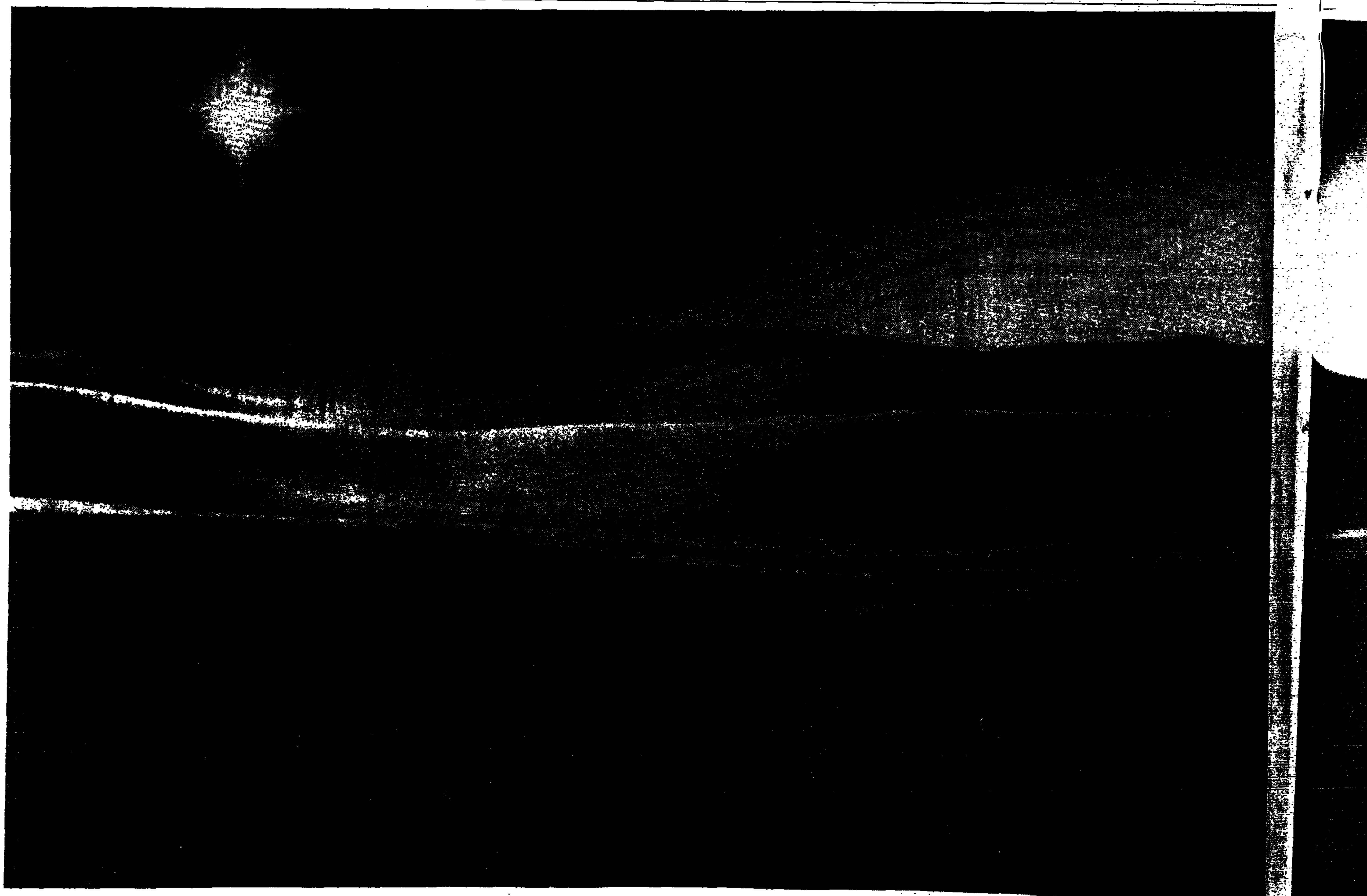
These changes are in my view irreversible, and the post-industrial knowledge revolution will show itself more and more in the ability to design for the market places of the world, using these skills to cut costs and segment markets into smaller and smaller profitable niches.

All of this could barely be further from the philosophy of all too many medium-sized British companies, where design is sadly seen as concealing the antiquated products they like to make. Fortunately, an increasing number of British companies is seeing the folly of this approach.

I hope The Design Dimension will be required reading for every senior executive and then maybe the British will use more of their native skills, and the products of the country's excellent system of design education to improve national fortunes, instead of having one of its larger export markets represented by emigrating British designers.

The Design Dimension. Published by Basil Blackwell, Oxford, England, and Cambridge, Massachusetts. Price £12.95; $14.95. Also available in Japanese, French, Italian, Portuguese, Swedish and (from 1991) German.

Sir John Harvey-Jones is former chairman of ICI and star of the BBC Troubleshooters series.



THE WEEK AHEAD

ECONOMICS

Focus falls on Japan and the US

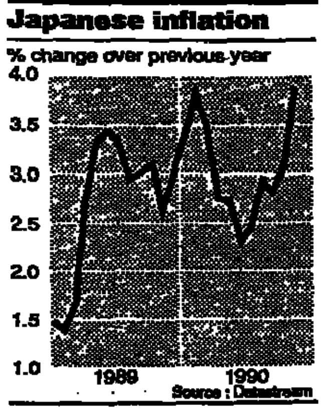
MUCH of Europe will close this week for the Christmas holidays, so financial markets will focus on Japan and, to a lesser extent, the United States.

Although Tokyo markets are closed today for the emperor's birthday, there is a full agenda of Japanese statistics during the rest of the week.

Perhaps the most important will be Friday's consumer price data which will give the December inflation rate for Tokyo and the November rate of price increases for the country as a whole. The consensus of analysts' forecasts compiled by MMS International, the financial research company, points to a slight dip in Tokyo's annual inflation rate to about 3.8 per cent from 3.9 per cent in November but a rise in the November national inflation rate to 4.4 per cent from 3.5 per cent.

Japan's recent inflation figures have been boosted by high vegetable prices as a result of typhoons in September and October. But such factors are unlikely to dissuade the Bank of Japan from maintaining its tight monetary policy.

Japanese inflation



In the US, Thursday's durable goods orders for November are expected to confirm the picture of a rapid slowdown in the economy. The median forecast compiled by MMS indicates a 3 per cent decline. November's leading indicators on Friday should provide additional information about the slowdown.

Thursday will be an important date for the German bond market with the setting of terms for the traditional new year Federal bond issue. The provisional German cost of living figures for December are expected on Thursday or Friday. The Halifax Building Society publishes its review of the UK housing market on Friday.

Events and statistics, with median market forecasts from MMS International in brackets, include:

Today: Japan, all markets closed for emperor's birthday. Many other markets either closed or closing early for Christmas Eve.

Tomorrow: Most markets closed for Christmas Day. Japan, October leading diffusion index.

Wednesday: Most European and other markets closed. Japan, Bank of Japan press conference; November retail sales (up 5.8 per cent). US, November existing home sales.

Thursday: Germany, terms of new Federal loan set. US, November durable goods orders (down 3 per cent); November durable shipments; December consumer confidence. Japan, November industrial production (down 0.4 per cent on month); November housing starts (down 2.6 per cent on year); November construction starts, orders; November trade balance on IMF basis; November investment in foreign bonds.

Friday: Japan, December Tokyo consumer price index (up annual 3.8 per cent on year); November consumer prices (up annual 4.4 per cent); December unemployment. France, final November consumer price index (down 0.2 per cent on month, up 3.6 per cent on year). US, November leading indicators (down 0.5 per cent); November import/export price indices; November bank credit and industrial and commercial loans. Money supply for week ended December 17. UK, November new vehicle registrations. Halifax house price index.

Peter Norman

UK COMPANIES

■ **TODAY**
COMPANY MEETING-
Principal Hotels, Epworth House, 25, City Road, E.C., 9.00
BOARD MEETING-
Interim:
Stonehill Hldgs.

■ **FRIDAY DECEMBER 28**
COMPANY MEETING-
River & Mercantile Extra Income Trust, New Connaught Rooms. Great Queen Street, W.C., 12.00

Company meetings are annual general meetings unless otherwise stated.

DIVIDEND & INTEREST PAYMENTS

■ **THURSDAY DECEMBER 27**
Cardiff Automobile Receivables Fltg Rate Nts 1995 £380.21
National & Provincial Bldg Society Fltg Rate Nts 1996 £188.54
Nationwide Anglia Building Society Fltg Rate Nts 1996 £187.98
Scandinavian Finance Fltg Rate Nts Dec 1993 $348.21
State Bank of Victoria 10 Year Gtd Fltg Rate Nts $431.45

■ **FRIDAY DECEMBER 28**
Alexanders Hldgs. 9½pc Pf 3.325p
Anglo American Coal 138cts
Ash & Lacy 8pc Deb 1987/92 4pc
Boddington 9½pc Ln 2000/05 4¾pc
Brake Brothers 1.5p
Chesterfield Props. 7p
Forward 1p
Geest 3.25p
Jersey Phoenix Tst 1.125p
Jeyes 2.2p
Lex Service 6½pc Pf 2.275p
Do. 8½pc Pf 2.275p
London & Strathclyde Tst 3.95p
New London Props. 5¾pc Mtg Deb 1983/90 2⅞pc
Do. 3¾pc Mtg Deb 1957/90 1⅞pc
OK Bazaars 37cts
Premier 28cts
River & Merc. Geared Cap & Inc Tst 1.4p
Ropner 3.5p
Do. "A" 3.5p
Stratagem 4p
United Kingdom Fltg Rate Nts 1996 $208.54
Usborne 0.5p
Yeoman Inv. Tst. 6.6p
Yorkshire Intl. Finance Gtd Fltg Rate Nts 1994 £188.54

■ **SATURDAY DECEMBER 29**
Dover Corp. 20cts
Manchester 3pc Cons. 1928 (or after) 1.5pc

APPOINTMENTS

Director of finance at Boots The Chemists

Mr Philip Matthews *(pictured)* has been appointed director of finance at BOOTS THE CHEMIST. He was director of finance at Next Group Finance. Mr Matthews has also held financial posts with EMI, Philip Morrison, and Price Waterhouse.

■ IVS CABLE SERVICES, Andover, has appointed Mr Tom Grealy as group marketing manager.

■ REDIFFUSION MUSIC, a BET company, has appointed Ms Catherine Phillips to the new post of international new business manager.

■ The new president of the LAW SOCIETY OF NORTHERN IRELAND is Mr Brian Walker. He practices in Portadown.

■ SWISS LIFE (UK) has appointed Mr John Goring as pensions actuary. He was with William M. Mercer Fraser. Mr Tom Harker has been appointed investment marketing manager. He was with Teather & Greenwood. Mr Paul Merchant joins as a senior fund manager specialising in the European and UK markets. He was with Argosy Asset Management.

■ Mr Peter Fearfield, a senior partner in KPMG's UK management consultancy, has retired and been appointed a non-executive director of BYWATER.

■ ENGINEERING TRAINING AUTHORITY has appointed Mr Pennant Jones as director, services, and Mr Chris Carroll as director, training standards. The Authority takes over from the Engineering Industry Training Board which ceases to exist by July next year.

■ LAZARD BROTHERS & CO has appointed the following as assistant directors from January 1: Mr Anthony Coveney, Mr Mann Duggal, Mr Simon Fisk, Mr Christopher Hill, Miss Blondel Hodge, Mr Peter Keen, Mr Clifford Mayfield, Miss Nuala McDonnell, Miss Sharon Pipe, and Mr Iain Rawlinson. The following have been appointed directors of the investment managment subsidiary, Lazard Investors, from January 1: Mrs Elizabeth Borrett, Mr Simon Hazlerigg, Mr John Innes and Mrs Charlotte Syder.

■ Mr Alister Sutherland, a partner with the Glasgow firm of McGrigor Donald, has joined W. & J. BURNESS. He is chairman of the Scottish Landowners Federation's tax committee, and a member of the Law Society's revenue committee.

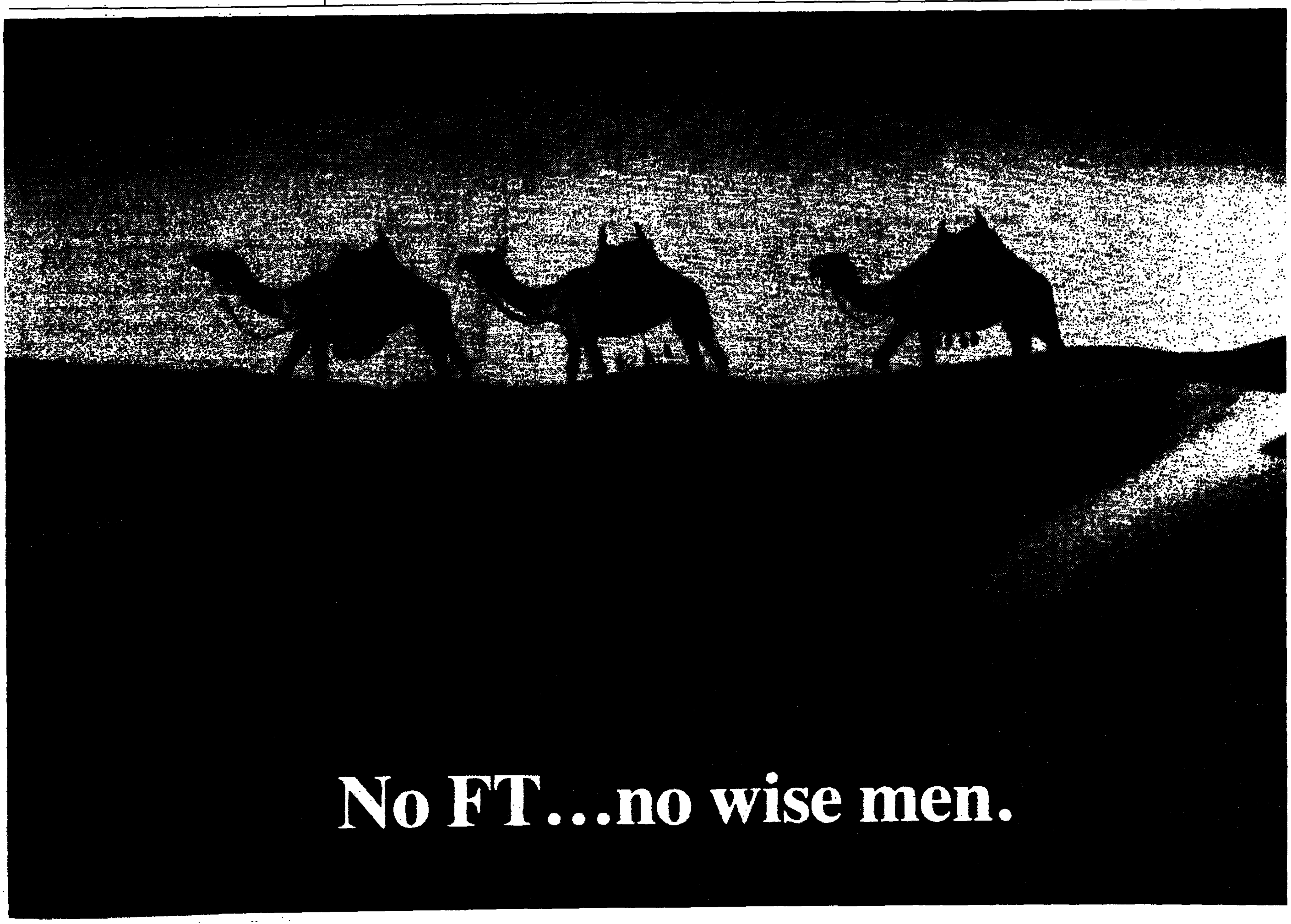
■ Mr Michael McIver has been appointed a director of HIGH-POINT SCHAER (EUROPE).

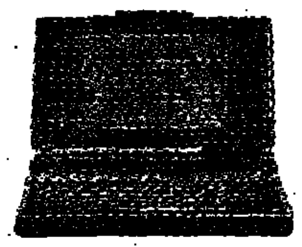
■ TIPHOOK has appointed Ms Mary Shearman as development and training manager, human resources department. She was training manager for Royal Life Holdings in Liverpool.

■ Mr Roger Harding has been appointed general manager of LONDON TRANSPORT pass distribution, which markets travel passes through newsagents. Mr Warwick Hillman becomes managing director of Victoria Coach Station from the end of March. He is associate director, London Transport International. Mr Dick Cordey has been appointed to the new post of general manager, bus passenger infrastructure unit. He was passenger liaison manager.

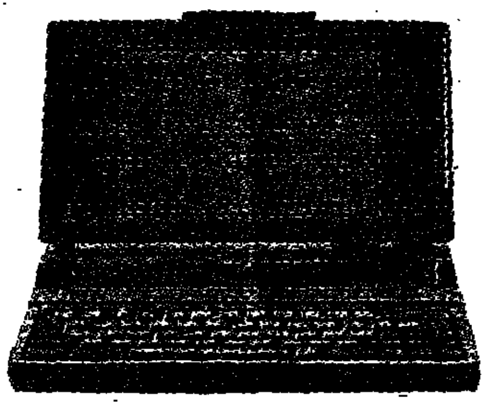
■ Lady Parkes becomes chairman of the NATIONAL COUNCIL FOR EDUCATIONAL TECHNOLOGY for a three-year appointment from April 1.

■ Mrs Deidre Hutton has been appointed chairman of the SCOTTISH CONSUMER COUNCIL, and a member of the National Consumer Council, from January 1 1991 until December 31 1993.

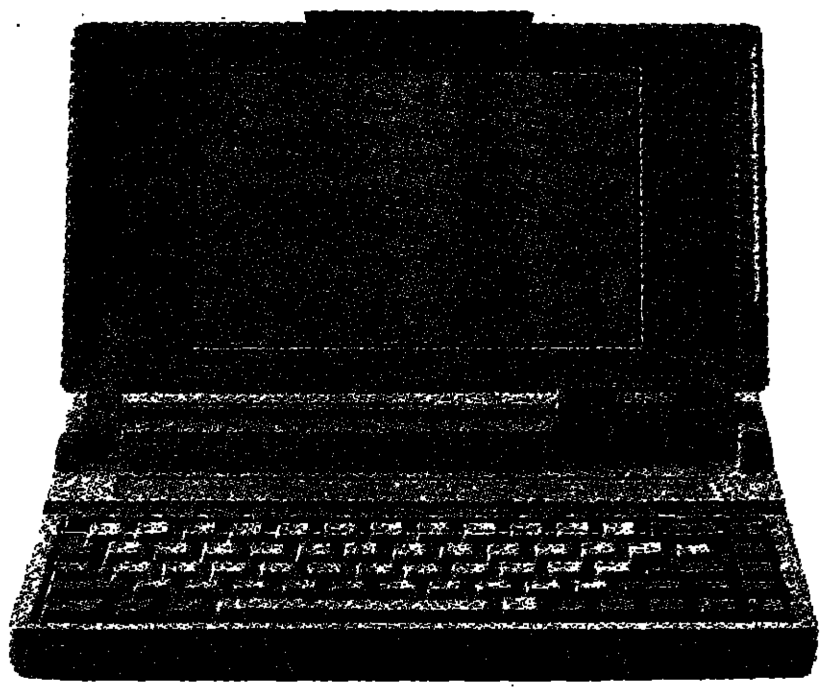




The PC for the road



is also the PC for the office.



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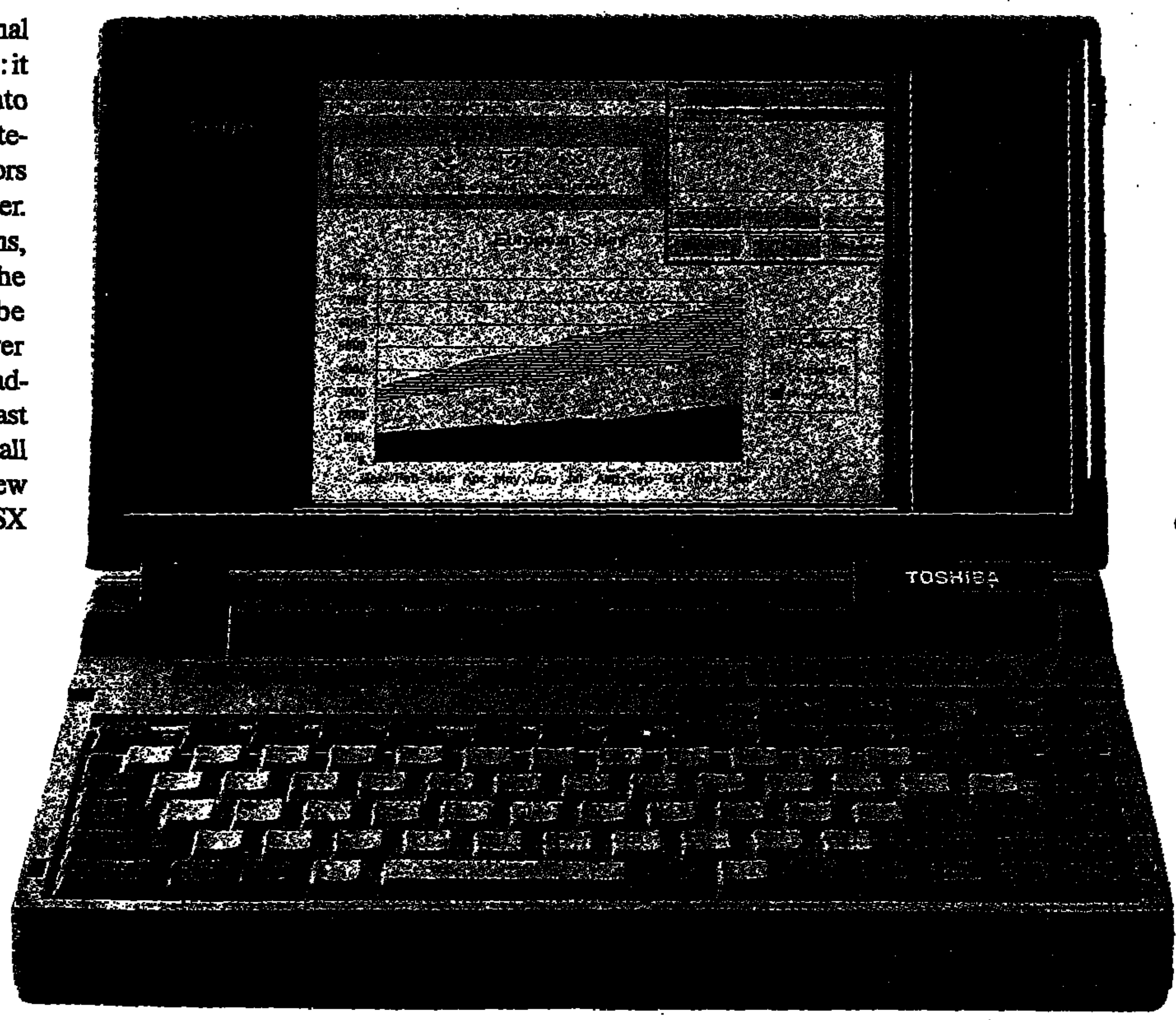

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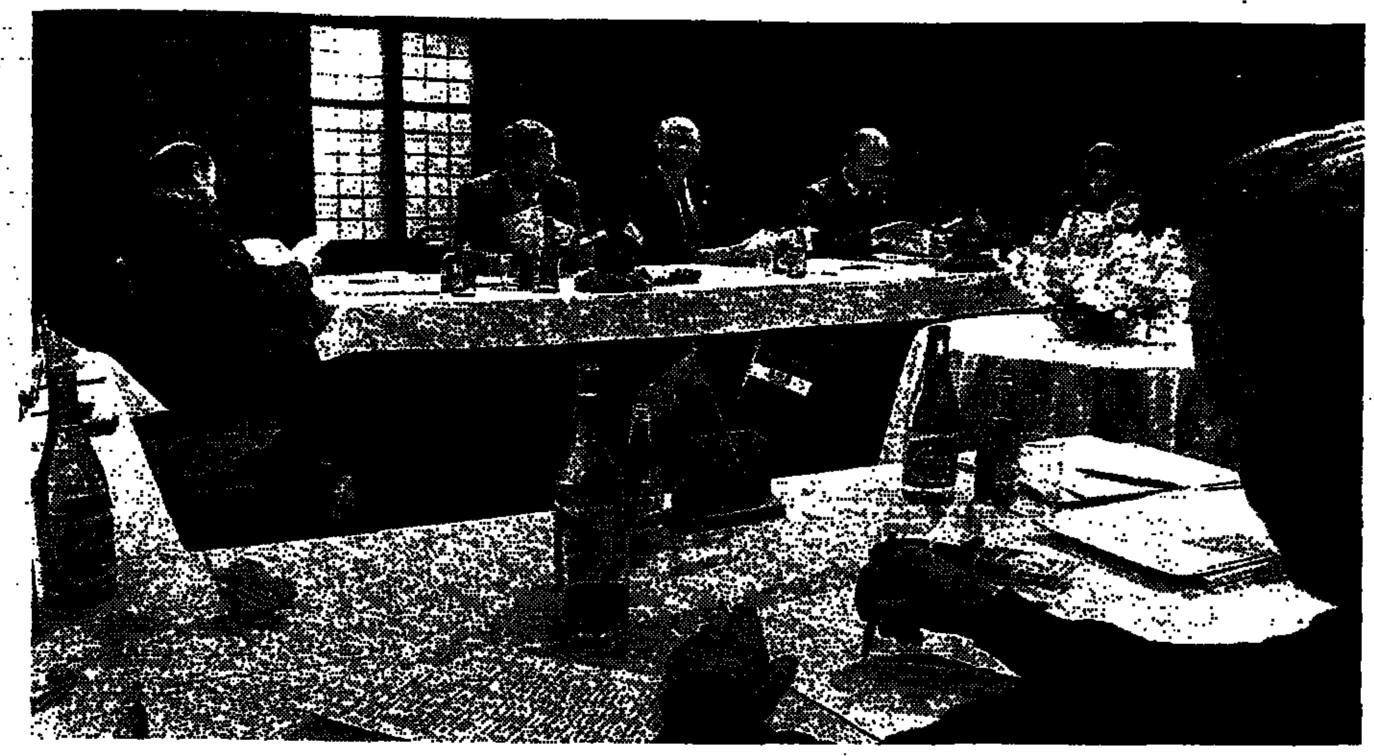


Alastair Muir

Successful productions: David Edgar's 'The Shape of the Table' at the National (left); and Richard Harris in Pirandello's 'Henry IV' in the West End

Try saying "....but it's in Romanian"

Malcolm Rutherford looks back at notable West End and fringe theatre productions during 1990

The answer to the question, "What should I go and see in the theatre?" can be very difficult, as I have learned increasingly in the last few months. For it depends on a view of what you think the questioner would like. It is no good recommending Ray Cooney's *Out of Order*, however enjoyable it is, to people who pride themselves on intellectual firepower. And I have seen the eyebrows raised at the suggestion of Joan Collins in *Private Lives*. Not that the would-be theatregoer has anything against Noel Coward; it is just that he assumes (quite wrongly) that Ms Collins cannot be up to it.

Try saying there is a very interesting *Hamlet* at the National, then adding quietly "but it's in Romanian", and you will see what I mean. You are as likely to put people off as to turn them on. Indeed almost the only play with which I have scored a 100 per cent success in terms of recommendations this year was Richard Harris in *Henry IV* at the Wyndham's. Some of my friends went to see it expecting the Shakespeare rather than the Pirandello version, but all of them came out enchanted by the Harris performance. There is a lot of *Hamlet* in the Pirandello play, just as there is a lot of Hamlet in Richard Harris. His Irishness helped: the way he feigned his madness was unforgettable. At times he expressed more by the movement of an arm than by speaking volumes. It was the London performance of the year.

One had a more limited success in recommending Terence Rattigan's *Flare Path* at the King's Head. Here perhaps there were some reservations in urging people to see it. The King's Head is a fringe theatre in Islington, which is not on everyone's doorstep or regular trade routes. Rattigan himself may be a bit suspect nowadays: too much nostalgia, not enough weight or bite.

Yet no one that I know dissented from my judgment that Derek Goldby's production was superb down to the finest detail: the staging, the costumes, the haircuts, the accents, the RAF slang, the sound effects and the occasional tears. Here was a well-made play, beautifully done: a period piece that stood the test of time. Sadly, it did not transfer to the West End where, one would have thought, it could have run for months. On the other hand, Anouilh's *The Rehearsal*, which started at the Almeida, also in Islington, transferred quite easily.

Quite *why* some plays do reach the bright lights and others do not remains unclear. Certainly there are very few pieces running in the West End at present which one would recommend without qualifications. And that again brings one back to the opening question. It is not just *what* people want to see, but *where* they are prepared *to* go. If they are set on the square mile or so around Leicester Square, they may well be disappointed. Would they look elsewhere?

Some of the best productions I have seen this year have been at small, out of the way, almost improvised theatres. The Gate at Notting Hill is an outstanding example. There, for instance, was *Democracy* by the Russian Nobel prize winner, Joseph Brodsky. The theatre is minute, but that did not prevent an immaculate staging of a lunch party for an east European cabinet on the verge of being overthrown.

Running now at the same theatre is *Don Gil of the Green Britches*, a comedy of intrigue by the 17th century Spanish writer, Tirso De Molina. One admires not just the sheer exuberance of the production, but also the professionalism: here is acting of the highest standard. Not least there is the talent which unearths such plays and finds them fresh. *Don Gil* is quite as good as some of the early Shakespeare comedies, and there is the promise of more 17th century Spanish works to come. Spain, after all, had a golden age of theatre not unlike our own.

The Gate by now has perhaps ceased to be fringe; at any rate, it is at the top of the fringe league. Other such theatres are coming up. The White Bear Theatre Club in Kennington, again located in a pub, put on a production of George Chapman's *The Widow's Tears* that otherwise we would not have seen. So it is not quite true that the London theatre is in the doldrums. It is simply changing places. A question is how far audiences will be prepared to move with it: smaller, less comfortable, but presumably more economical to run than some of the museum pieces in the West End. Recession is unlikely to help the big stage.

Whether on the fringe or more centrally, the broad themes of the year seemed to be twofold: eastern Europe and a return to the 17th century. The National had it both ways. It hosted the Bulandra Theatre production of *Hamlet* from Bucharest, and here we learned how to take liberties with texts, and how the same play can have a different appeal to different people at different times. Boring young Fortinbras is not the conventional liberating hero: one of his first acts is to have Horatio killed. Clearly to Romanians anyone in military uniform, and wrapped in the apparel of the state, is a tyrant.

We also learned not to laugh at Polonius. Far from being an old buffer, he is a bureaucrat and schemer, very much a member of the party, if not the Securitate. That point was taken up in an otherwise unsatisfactory production of *Hamlet* by the Cheek by Jowl company at the Lyric, Hammersmith. Peter Needham's Polonius there was an ambitious social climber, not at all doddery: it will be interesting to see if this version of the character sticks.

Where the National scored on eastern Europe most of all, however, was in David Edgar's *The Shape of the Table*. While I enjoyed both the documentary and the burlesque in Howard Brenton's and Tariq Ali's *Moscow Gold* in what was possibly the Royal Shakespeare Company's last outing at the Barbican, Edgar's piece wasin a quite different category. It even showed some sympathy and understanding for the old communists on the way out and demonstrated that the personnel of a new regime can be much like those whom they replace. Only Brodsky's *Democracy* approached it in subtlety. The acting in *The Shape of the Table* was uniformly distinguished evenif one mentions no more than Stratford Johns as the first secretary and Oliver Ford Davis as the prime minister.

The return to the 17th century was manifest at the Old Vic where the theatre dug up two relatively unknown plays of Corneille and the language was turned into rather racy English rhyming couplets. The plays were *The Liar* and *The Illusion*; the translations by Ranjit Bolt who produced lines like: "Three times I skewered him like meat/He fell a bloody bundle at my feet." Not to everyone's taste perhaps: several people complained that it was all too stylised, but I loved it and the spectacle was splendid.

The Elizabethans and Jacobeans stalked the fringe. The One Stage Company put on the first professional London production of *Sir Thomas More* at the rather bleak Shaw Theatre on the Euston Road. Shakespeare had a hand in it, but it was too seditious to be shown in his time and the script was lost for centuries. It was worth reviving and should be seen again. Ken Bones, who played Sir Thomas, is a chillingly effective actor, as his name suggests.

Thomas Middleton's and William Rowley's *The Old Law* at the Lyric Studio had not been performed for over 300 years, and Beaumont & Fletcher's *The Maid's Tragedy* appeared at the Battersea Arts. There is more of this genre to come in the new year: a wholly welcome development. The Jacobean plays do a great deal to put Shakespeare in context: while he was plainly better than most of his contemporaries most of the time and, of course, had the verse, he was using many of the same conventions. Occasionally the others take a trick.

If the past is in, that must partly reflect a shortage of new work. Certainly plays about Mrs Thatcher seem to have gone out with the departing prime minister: they will be no great loss since few of them were either serious or funny. Perhaps a new target is needed. Life on the fringe, however, though sometimes precarious, suggests that the theatre has not done too badly out of the Thatcher years. There is plenty of it, except in the West End. The Edinburgh Festival, though without shining, had as many fringe shows as ever, and I was sorry that Hull Truck's play about Philip Larkin did not make it to London: lesser pieces did.

Finally, a word of continuing tribute to the National. One visits it always with a sense of expectation, and is seldom disappointed. Not all its productions this year have been hits. *Once in a While the Odd Thing Happens*, about Benjamin Britten and Peter Pears, at the Cottesloe was a trifle thin. Athol Fugard's *My Children! My Africa!* had been overtaken by events and went on too long. Its *Lear* was not the most convincing performance ever put on.

Yet almost anything at the National is worth seeing. The theatre is also open to imports, not only from Romania: see, for instance, Brian Friel's *Dancing at Lughnasa* from the Abbey Theatre in Dublin. The play belongs to no particular genre, might be thought fey and even quaint: the setting is rural Donegal in 1936. Yet it is one of the most beautifully written pieces I have come across, and suberbly done. Theatre still has its surprises: *Dancing* could be recommended to almost anyone.


Alastair Muir

Nicola Paget in 'The Rehearsal' which transferred to the West End; 'Flare Path', right, did not make it

Sugar

WEST YORKSHIRE PLAYHOUSE, LEEDS

If they can make musicals out of *Grand Hotel* and *La Cage aux Folles*, then of course they can with *Some Like It Hot*. All the same, must they? It's like saying to the wine-waiter, "Hey, the Sauvignon blanc was great – now can we have it with bubbles?"

I hope you don't need to be reminded that *Some Like It Hot*, is the great comic movie where Jerry (Jack Lemmon) and Joe (Tony Curtis) masquerade as members of an all-women jazz band, whose lead singer and ukulele-player is Marilyn Monroe. Lemmon, as "Daphne", finds himself pursued by the veteran millionaire Osgood Fielding, while Curtis drops his "Josephine" persona, does a brilliant Cary Grant imitation, and winds up with Marilyn.

Marilyn plays Sugar Kane, and *Sugar* is the name that Jule Styne and Bob Merrill give to their recent Broadway musical. It's a pleasant enough show, but the best things about it are lines from Billy Wilder's screenplay. (My favourite lines of all, however, are missing here, and so are Joe's Cary Grant take-off and Daphne's all-night tango with Osgood.)

Music in *Some Like It Hot* is just something you do to get through the Depression. It isn't also (a) a need (b) the ultimate self-expression, as it is to those true Depression icons Fred Astaire and Mickey Mouse.

When Joe and Jerry first enter as Josephine and Daphne in *Sugar*, they are singing and dancing. The other girls in the band accompany them, and two railway porters partner them. What a romp! And lovably done. But moments later they are protesting that they hope they don't have to sing and dance; they simply couldn't. Music in *Sugar* is just jolly nonsense; we're not asked to believe in it, just to swing.

And – surprise – we do. The best feature about Stein's music, though it includes no tune worth humming, is its sense of period. It belongs firmly in the Jazz Age. Spats the gangster and his gang make machine-gun fire by volleys of tap (a classic Astaire idea), and even the flirtatious bell boy (a good little role, well taken by Alden Waters) sings and dances. *Sugar* isn't memorable, but it's stylish.

For the sake of the performers, I wish Styne and Merrill had re-invented the lead characters. I can imagine Sarah Payne playing Sugar as a keen Joan Crawford charlestoning gold-digger. But she has Marilyn's lines, and you can't help telling she hasn't Marilyn's dizziness and fantasy. Steven Mann (Joe) and Andy Serkis (Jerry) impose themselves more – and the show, despite its title, seems to favour them. In fact, beneath the jazz surface, it becomes a very Eighties show. It emphasises Joe's love for Sue (very *Tootsie)* but also Jerry's gathering confusion about receiving Osgood's attention (kind of *Cage aux Folles*).

But what performers could efface Curtis and Lemmon from your memory? In a way, *Sugar* achieves just what it sets out to do – it keeps reminding you what a blissful movie *Some Like It Hot* is. As a musical, well, it passes the time until the same team of performers apply themselves to something worthwhile like *Girl Crazy* or *Oh Kay!*

Alastair Macaulay

In the Monroe role: Sarah Payne as Sugar Kane

The Nutcracker

FESTIVAL HALL

Spare a thought for the hapless young whose Christmas treat is a first visit to English National Ballet's *Nutcracker* on the South Bank. Led through the concrete horrors of a development that makes the Lubianka Jail look like Le Petit Trianon, they are faced with Peter Schaufuss's addled staging and plunged at once into the boring ramifications of Chaikovsky's family history.

Spare a thought for the parent required to explain the identities of Grigi and Miss Eastwood and dear old Flegont, and beings listed in the programme as *Anathol-Modest* and *Exkatherina* (sic). (That Saturday night's cast sheet believed that Louise is spelled *Lousie* is not, I take it, criticism).

The young viewer, like the despairing critic, must then contemplate inexplicable scenes, mimed with transcendent dreariness, about the composer and his family, plus a dumb-show performed with roguish ineptitude by children. The proper magic of transformations, of simple narrative and touching interpretation, like the miracle of the score, is everywhere short-changed.

At half-time, grown-ups can at least rush in search of alcohol – infant despair being only calmed with ice-cream, I suppose. There follow divertissements more winsome than I would recommend even for juvenile consumption, and – at last, at last – some choreography in the Grand pas de deux.

On Saturday night, the appearance of a guest from the Kirov, Yelena Pankova, as Sugar Plum Fairy, justified this desperate staging. She had been required to walk through the first act as someone called Sasha, and looked understandably bemused, but with the pas de deux, her grace, the exquisite lightness and aristocratic femininity of her style brought joy.

Twenty years ago, during a Kirov season on this same dismal stage, Irina Kolpakova was a Sugar Plum of similar crystalline elegance. Leningrad training inculcates such purity and such intensity of physical expression – every movement lustrous, true – that the other dancing throughout the evening seemed false, presumptuous. Pankova draws a dance portrait with the sweetest means, and for once during the evening Chaikovsky's score is not cheated. Her cavalier was ENB's newest Cuban recruit, Jose Manuel Carreno, with a bold and assured technique and a handsome presence. But he, like Pankova, deserves to be seen in a ballet rather than in this Devil's laundry-list of banalities.

I venture to suggest that ENB should, every night, leave part of the staging outside the back door of the Festival Hall, and give their local dustmen danger money. By the end of the season, it might be entirely disposed of, and for next year we could have a welcome Christmas present from the company: a simple, stylish *Nutcracker*.

Clement Crisp

Così fan tutte

GRAND THEATRE, LEEDS

One of the many mysterious things about *Così fan tutte*, that operatic enigma of enigmas, is the likelihood it offers that surprises (of both good and bad kinds) will lie in wait for even the most habituated of Mozartians. The latest revival at Opera North proves the point: in advance it promised to be unremarkable; in the experience it turned out a delight.

The 1982 production by Graham Vick (rehearsed by Matthew Richardson) has a semi-abstract permanent set (a sand dune at the back with chairs and a Corinthian column half buried within, a fire-escape staircase to the left) which may speed events along but which fosters little sense of ambience, or mood, or even its own interior logic. On paper the cast could be patronised as "house British", apart from the Canadian soprano Jane Leslie. Mackenzie, a regular Opera North visitor. The long opera was to be given with few cuts, in Ruth and Thomas Martin's not very stylish translation.

The cogency of Friday's performance, the concentration and crispness, the intimate, ever deepening fusion of comedy and emotional intensity, came therefore as the most elating of correctives to advance expectations. The opera moved *fast* – not by any means always the case – because Alan Hacker as conductor kept the score athletically limber in every instrumental line.

Mr Hacker is not a Norrington – or Ostman-style speed – merchant (only the overture and the male "laughing trio" sounded a mite rushed), but his secret, known to all born Mozartians, is genuine rhythmic energy: orchestral articulation, mellifluous on the surface yet springing with inner vitality, that translates directly into dramatic momentum.

In the Grand, the ideal *Così* theatre, the sound and sense of Mr Hacker's reading evidently acts as an inspiration to his cast. All give of their best, and, at times, more than that; only Miss Mackenzie's radiant, blessedly natural and vocally unforced Fiordiligi and the technically astonishing Ferrando of Paul Nilon (dryish in tone but tirelessly fluent) achieved full Mozartian grace, but the ensemble developed a glow of poise and polish.

And the "English" character of the cast – exemplified by Robert Hayward's good chap of a Guglielmo, and Beverley Mills's light-headed Dorabella – added its own special pathos: four nice young people stepping ever deeper into the emotional quicksands, pushed on by Kate Flowers's brilliantly wry, seen-it-all Despina and Eric Roberts's cheerfully pitiless Alfonso. A *Così* that balances smiles and tears as nimbly and effortlessly as this is not at all a routine matter.

Max Loppert

Notes of pathos: Beverley Mills in the role of Dorabella

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Monday December 24 1990

Shopping at leisure

"THE PRESENT law on Sunday trading is widely felt to be unsatisfactory," as Mr John Major told the House of Commons during prime minister's question time last Tuesday. Mr Major went on: "The time may well be approaching when the Sunday observance lobby should sit down with the retail trade to see whether an acceptable compromise can be reached."

It has not come to compromise yet, but since the Keep Sunday Special campaign is reported to have turned down a call for a massive shop-lift in protest at the openings yesterday, perhaps dialogue is on the way.

Mr Major, of course, oversimplified. It is not just a battle between the Sunday observance lobby and the retail trade. There is, rather, an alliance between some members of the churches, the shopworkers' union and a vaguely conservative lobby that somehow wants to "keep Sunday different".

This coalition has so terrified the Conservative party that when its Shops Bill was defeated in 1986, the government virtually gave up the fight for reform. Since the shopworkers' union (Usdaw) still plays a powerful role in the Labour party, it is unrealistic to look for a more liberal approach from the other side of the House.

Meanwhile, the law is an ass. It is possible to risk opening on Sunday and not be prosecuted at all, because the laws are operated at random. It is also possible to open, be fined, and still make a profit because the fines are so small, though the smallness of the fine discriminates in favour of the largest organisations. It has been normal for many years for cinemas to be open on Sundays, but not grocery stores, which is a curious moral distinction.

Typical muddle

All that would normally be described as a typically British muddle, except that it is not wholly British. In Scotland, which is one of the more puritanically religious parts of the United Kingdom, the shops have long been allowed to open on Sundays, just as the Scots were the first to introduce more flexible opening hours for public houses. No harm seems to have come from either innovation. Scotland is no less religious as a result: some catholic countries never had any qualms about Sunday trading in the first place.

Germany, sometimes regarded as an economic and social model, has almost no Sunday trading whatever, and precious little shopping after 1pm on most Saturdays. The pressure there comes not so much from the churches as from out-dated labour laws. Those used to a more relaxed, liberal regime can find weekends in Germany something of a strain.

Scottish lesson

So perhaps here is an area where Scotland has something to teach. The principal argument for allowing Sunday trading is libertarian. No shop is going to be compelled to open. No one is going to be compelled to shop. All that is on offer – and it is considerable – is a widening of choice.

The principal argument against is that put by the shopworkers: namely, that some of them may be compelled to work. They would have a powerful case if it really amounted to the equivalent of sending small boys up chimneys against their will. Yet it would be a remarkably archaic union that argued anything of the kind. This is, after all, an era of part-time working. It should not be beyond Usdaw's wits to negotiate flexible working hours for its members. Equally, non-unionised shops should be perfectly capable of coming to an arrangement with their staff about who works when and for how much. It is a strange state of affairs when the shops are one of the few areas where the rules of competition do not apply. That is the anachronism that Usdaw and its supporters are trying to protect.

Mr Major is naïve, however, if he thinks that the Sunday observance lobby and the retail trade will sit down together and sort it out. A clear lead is needed from the government, even if the Labour party declines to extend its new modernism to letting people shop when they want to. A new year resolution might be reform by next Christmas.

Housing policy under review

THE re-emergence of housing at the top of the UK public policy agenda has been a long time coming. Although Mrs Thatcher's decade saw bouts of moral or political panic within the Conservative party about most areas of social policy reform – from child benefit to hospitals – housing has throughout remained safely on the credit side of the Tories' political ledger.

The cause of this political success was the government's right to buy scheme, which has since 1980 transferred more than 1m municipally owned dwellings into private hands. As a result, Britain continues to be a leader in the European owner occupation league: 68 per cent of Britons now own their own homes, compared with 57 per cent when Mrs Thatcher entered Downing Street. Labour, once an implacable foe of this privatisation strategy, has now copied it.

Recently, however, the tone of the debate has shifted. Persistently high interest rates, recession and, in some parts of the country, falling domestic property values have demonstrated that home ownership is not always a one-way investment bet. Mortgage arrears and re-possessions have climbed steeply, although they still represent only a small proportion of loans outstanding.

At the same time, the decade has also brought a doubling of the number of the homeless and an increase from less than 6,000 to more than 43,000 in the number of households in temporary accommodation, too much of it poor quality and overpriced. The most wretched outcrops in this mean landscape are the "cardboard cities" now visible in several British town centres, including prosperous parts of London. More than anything it is this ugly manifestation of policy failure which has stirred the political debate back into life.

New approach

Mr Major clearly finds cardboard cities an affront to his guiding notion of a society at ease with itself. By making Mr Heseltine environment secretary and Sir George Young housing minister, he sent an unmistakeable signal of a new approach. Sir George is the veteran agitator on housing issues who was sacked from government by Mrs Thatcher in 1986 for being too wet. Last week, Sir George was able to announce his first, welcome initiative, in the shape of an emergency package to help the voluntary sector coax the homeless off London's pavements.

More social housing

This, however, is a relatively easy if overdue part of the housing solution. The difficult part is to find an effective way of rebuilding the stock of housing for rent, which recent academic research suggests remains the only affordable option for about a third of new households. Given the collapse of the private rented sector – now only 7.5 per cent of the UK housing stock – this means social housing of one form or another.

The government can be proud of its privatisation record in housing and should persist with its plans to extend the principle. But it must also now accept that among the 30 per cent of non owner occupiers is a large majority of individuals too poor, too economically unstable or too mobile for owner occupation.

There is no shortage of imaginative ideas for mixed public and private sector ventures in housing or of novel forms of tenure. The problem is a shortage of dwellings of sufficient quality, which only some recovery in the rate of social home-building can address. Now that local authorities have mostly ended their foolish resistance to privatisation, they should be allowed to spend more of the proceeds of that policy on mixed economy housing development.

An increase in the supply of housing would also help to contain any house price surge as interest rates fall. Price stability could be further enhanced by a conscious reduction in the next Budget of the £8bn a year subsidy provided to homeowners in mortgage tax relief. By cutting back the subsidy at the same time as interest rates are falling, the government could achieve a desirable economic goal without making voters feel worse off.

Robin Lane Fox says the ancients could show today's UK government a few ingenious ways of handling the poll tax and privatisation

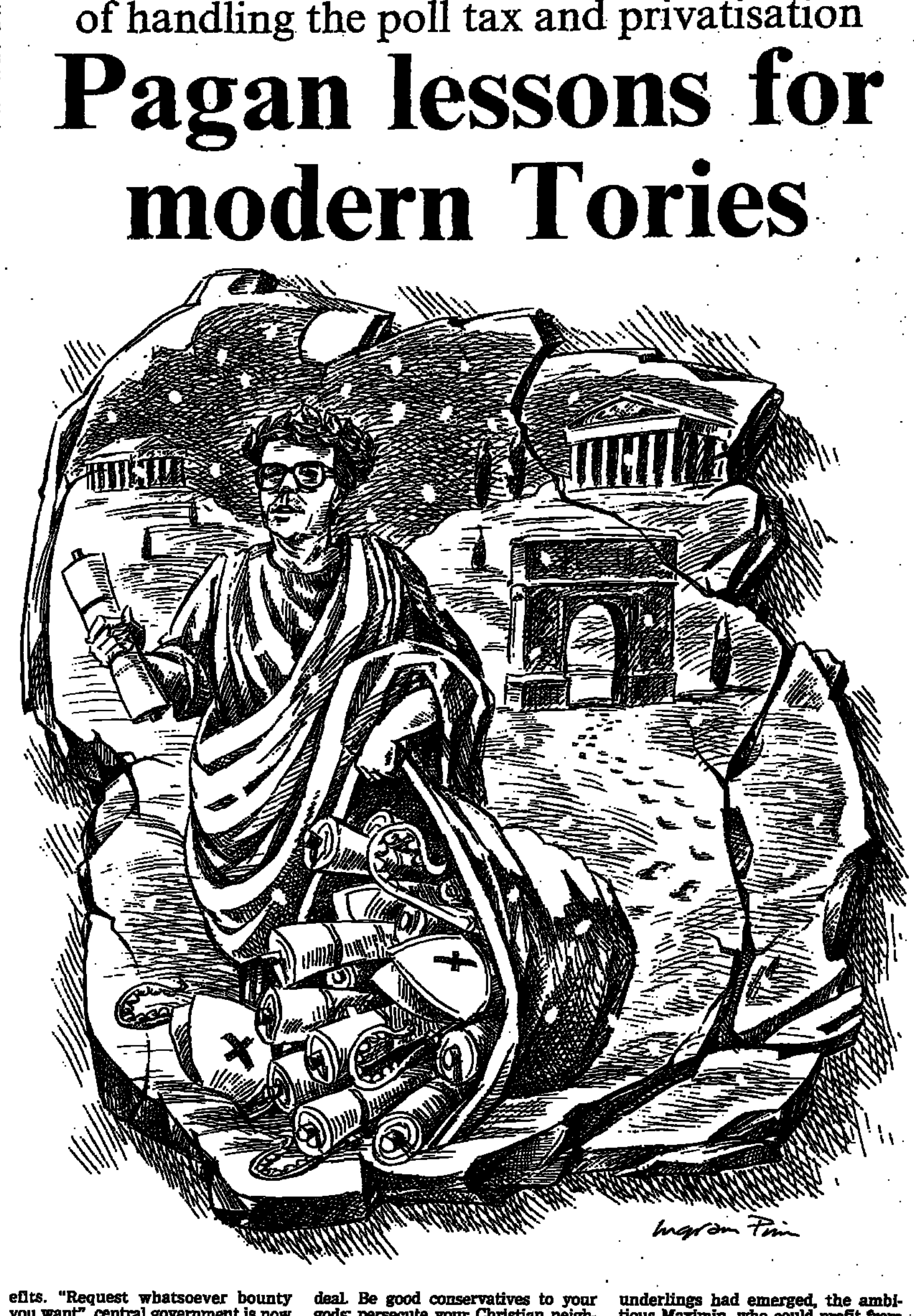
Pagan lessons for modern Tories

For most of this year, there has been political noise in Britain about No Turning Back, the radical nature of our government and the new ground which must not be surrendered by any of its heirs. The radicals are now uncertain what to do with it, especially with two of its legacies: how can they escape from the poll tax and what, if anything, is the future of privatisation now that electricity has been sold off?

Those who refuse to Turn Back should try Looking Back instead. At this time of year, the problem is to look back far enough: for a radical answer we need to look back before the Christmas season existed, when Christmas Day was a pagan festival and when Christianity was still not an established religion of state. Radical Tories could feel truly conservative if they took the long view and looked back about 1700 years to their intellectual ancestors among pre-Christian pagans. The rest of us should be thankful that there is still some way to go before our political radicals have caught up with the ingenuities of the past.

Its most immediate lesson only emerged three years ago, when the poll tax was still a notional community charge. It turned up in southern Turkey in a long wodge of Latin which was found and interpreted by Stephen Mitchell of Swansea University, one of the world's prime discoverers of new evidence about the Roman world. Off the modern road to Antalya, there had once been an ancient township called Colbassa: Mitchell re-located the site and on one of its stones he rediscovered an unknown letter from a Roman dignitary sent to the city in the year 312AD. It had been delivered on April 6, a fiscally significant date for many of you: it was so complimentary to Colbassa that the leaders of the city had had it inscribed and displayed publicly on durable stone.

Councils were offered a straight deal. Be good conservatives to your gods; persecute your Christian neighbours and government will let you off its hated poll tax



Its text has the magnificent rhetoric in which rulers, then too, addressed local government. The town council in Colbassa had formed a pressure group; they had sent a petition of "praiseworthy zeal"; the official reply in Latin does not survive completely, but it referred favourably to religious conformity. The city was worshipping the immortal gods; its delegates had also asked for permission to eject "those who persist in the abominable cult". The gods, at this time, were still pagan, Zeus, Apollo and their many companions: the "abominable cult" was Christianity whose worshippers were thought to be defiling Colbassa with the "stain of every impiety".

Like 1990 in eastern Europe, the year 312 was the sequel to a year of a first, significant revolution. In the western part of the Roman empire the new ruler, Constantine, had begun to support the Christians' religion. He was the first Roman emperor to turn to Christ. He did not yet control the eastern empire where Colbassa was going in the opposite, pagan direction: this part of it was controlled by a pagan enthusiast, the ambitious young Maximin.

In his newly-found Latin answer, the young pagan Maximin was encouraging all good conservatives to stick to their old traditions and bask in official favour. Petitions and answers of this type are known elsewhere in the Greek-speaking east: the town council at Colbassa was only one of many who responded to their ruler's wishes and scrambled for benefits. "Request whatsoever bounty you want", central government is now known to have been telling them, "if only you drive out your Christians". Meanwhile, "without postponement", you will obtain a great gift for your city "for all time". In their ruler's own words, it would "testify to your piety and show your sons and grandsons that you have acquired rewards from our Clemency which is worthy of your traditions".

What on earth was this great "gift"? It ought to be connected with tax and in 1986, before this new find, I had tentatively suggested a possibility: the new inscription, and Mitchell's study, have now made the context plain. In this climactic year, local councils were being offered a straight deal. Be good conservatives to your gods; persecute your Christian neighbours and central government will let you off its hated poll tax. In the year 312, a recent poll tax was just as much in the news as in 1990: shortly before, the previous emperor, the staunchly conservative Galerius, had ordered a thorough census of the inhabitants of the entire Roman empire and made them all liable to payment of a poll tax at a socially regressive flat rate. The ruling was bitterly resented: town-dwellers had previously been exempt, but now the poll tax was extended to the lot of them, including the favoured people of Rome.

In 312, Galerius, a stubborn bigot, no longer held power: one of his underlings had emerged, the ambitious Maximin, who could profit from his predecessor's mistake. Is there, perhaps, a way forward for 1991 in his footsteps? It would be excessive, and perhaps unpopular, to exempt from poll tax any place which expelled its local parson over Christmas and picketed the church path. Political dogma, however, is as divisive as religion in those ancient times: might there be scope for exempting each town which voted Conservative and helped to drive out "socialist impiety" from the inner-city communities? We have often been told that the novelty of Thatcherism has been its abandonment of consensus and the middle ground. To historians, it seems positively timid when conservatives in the past could be set against Christians in the hope of a cut in tax. It might prove seriously expensive but then too, Maximin was reckoning with a heavy loss of local revenue. The deficit would have been made up from central funding because he himself minded enough about the "impiety" at issue.

What, meanwhile, about the conservative ministers of the old, immortal gods: how did they learn their job? Here, too, pagans were ahead of modern conservative thinking. When a priesthood could not easily be sold, they drew up a prospectus and privatised it by a well-judged offer for sale. There were guaranteed dividends from land, funds and sacrificial offerings: there was even a calendar, stipulating what should be offered when. The highest bidders took the position and as the offerings included animals, the job was worth having. The priests controlled a significant amount of meat and (like modern huntsmen with a pack of foxhounds) had sole right to the hides of all carcasses sent for use in their cult.

Might there not be some modern mileage here too? Privatisation is looking for a new target and the previous cabinets have sometimes felt that their most irritating opponents are upstart bishops: why not privatise the next big bishopric which falls vacant, London perhaps, then York, and float off the position to the highest bidder? Privatisation, we keep being told, helps to wake up slumbering assets. The successful stag of an episcopal offer would not only hire out rights to use his vestments and brighten up the tourist appeal of his palace: he would reactivate the bishoprics' greatest dormant legacy, the saints and relics which have been mouldering in their cathedrals since the Reformation. These objects were ancient sources of healing powers and would pull in the vast public who are still in search of punctual cures for their illnesses. At a stroke, cathedrals could help to fill the yawning gaps in the health service and offer alternative medicine to the public through a privatised reform.

Privatisation is looking for a new target. Why not privatise the next vacant bishopric, London perhaps, then York, and float off the position to the highest bidder?

There would, no doubt, be complex repercussions under canon law. The brokers to the offer would have to insist on a sharp distinction between privatisation and simony, the buying of office for a straight fee. There would also be problems if the highest bidders turned out to be female. I hope, none the less, that offers for sale would continue to be open to both sexes: our most prominent female in eclipse would no doubt like to stag any future offer for sale of a post up at Durham. If the results were really unbearable, I suppose that the Church of England might be forced into schism against establishment buyers of its own high offices: it might be easier, then, for a church in schism to do the decent thing and join up with minorities like the Methodists.

Meanwhile, the fostering of religious divisions would leave ever more scope for playing friends and enemies off against each other through the promise of exemptions from the poll tax. We must all watch out for announcements in the last few hours before Christmas: they have an impeccable pedigree in the oldest conservative thinking. Will a decree, perhaps, go out from John Major Augustus that only part of the world should be taxed?

Holy Land's Christian drain

LETTER FROM JERUSALEM

It is shortly after 7.30 on a Sunday morning in December. A bright Advent sun begins to warm the honey-coloured stone of Jerusalem's Old City walls. A Christian beckoned by the sonorous bells of ancient churches could be forgiven a surge of anticipation at the prospect of Advent worship in the Holy City itself.

But the coming of Christmas, so trumpeted in far-off lands, is barely perceptible in the cradle of Christianity. Instead, a visit to the Christian Quarter of the Old City reveals a more sombre picture of a community struggling to survive in a poisoned political atmosphere and suffering a grave haemorrhage of emigration. The narrow passageways of the Old City should be echoing with the clatter of opening shutters and the bustle of merchants preparing for another day's trade. For Moslems and Jews, Sunday is not a holiday.

This Sunday, though, almost all the metal shutters remain firmly closed. It is the third anniversary of the start of the *intifada*, the Palestinian uprising against Israeli rule in the occupied Arab lands which penetrates to the heart of the Holy City. Palestinians are on strike to mark the day.

Entering the Old City by the Jaffa Gate, the only sign of activity is a street cleaner spraying water into the gutters. Down David Street and left into the Muristan market: more blank shutters. Moving up the Via Dolorosa is a six-man foot patrol of armed Israeli paramilitary police.

But suddenly, stepping into the courtyard of the Church of the Holy Sepulchre, its stony bulk hunched over Calvary and Christ's tomb, comes a sound – the low chant of Jerusalem Christians at prayer.

Within, two services are under way. By the tomb of Jesus, a group of Copts worship in Arabic. In the main body of the sombre church, His Beatitude Diadorus the First, Patriarch of the Holy City of Jerusalem and all Palestine, Syria and Arabia, Kana of Galilee and Holy Zion, stands in a scarlet and gold robe presiding over his Greek Orthodox flock.

It is a stirring and evocative scene. But something else striking is inescapable. There are very few people in the congregation. Apart from the priests, no more than a dozen mainly elderly women in widow's black and a handful of young men stand by. The lack of worshippers seems a telling symbol of the ailing condition of the indigenous Christian communities of the Holy Land.

To many outside the Middle East, it comes as a surprise to learn that Christians form only a tiny minority of the population of Jerusalem – and, for that matter, Israel and the occupied territories. According to the Christian Information Centre in Jerusalem, Christians number not more than 125,000 among a total Israeli and Palestinian population of nearly 6m.

For the leaders of the local churches, the uncomfortable fact is that this small base is eroding further as a combination of economic, political and religious pressures fuels a steady flow of emigration.

Father John Sansour is Chancellor of the Latin – or Roman Catholic – Patriarchate in the Old City. One of a family of nine surviving children in Beit Jalla, near Bethlehem, only he and one sister remain and her two sons have also left. "Our presence as Christians [in the Holy Land] is in real danger of extinction. I was for 16 years the priest in the parish of Taibe. I buried the last Christian in the parish village of Kafr Malik where now the Christians have only a cemetery. What happened in Kafr Malik can happen elsewhere."

The drain effects almost every church in the Holy Land – and there are many. Armenians, Anglicans, Lutherans, "red" and "white" Russians, Evangelicals, Presbyterians, Ethiopians, Copts and Assyrians and more are all represented. But perhaps the most important are the three churches with the deepest roots in the local Arab population, the Greek Orthodox and Greek Catholic communities, with more than 40,000 members each, and the Latin church with more than 20,000. They form the bulk of the indigenous Christian community and are the key to its vitality.

It is impossible to be certain about figures. The Israeli authorities say the Christian population in Jerusalem, reckoned to have been around 40,000 in 1948 at the end of the British Mandate, is now 14,700. Most Christians say that figure is too high. A Christian Information Centre survey put the figure at 11,756 in 1983. It has certainly declined since then.

Those who leave mostly go to North and South America, Europe and Australia.

Father Sansour squarely blames the level of emigration on Christians' fear of being squeezed between warring Moslems and Jews. Others say surveys have shown the chief motivation is not a fear of Islamic fundamentalism or Jewish dominance, but the lack of economic opportunity. Everyone agrees, however, that the drain abroad has accelerated over the course of the *intifada*.

The uprising has certainly sharpened the pressure on Christians. While many react by leaving, those who remain have had to confront more clearly their political allegiances. After the killing of 18 Palestinians on the site of the Moslem holy shrines in the Old City on October 8, churchmen of all denominations joined with Moslem leaders to protest and pray together.

There is also the underlying fear, commonly felt with the Moslems, that ultimately Israel is out to Judaise Jerusalem – suspicions heightened by episodes like the acquisition last Easter of St John's Hospice in the Christian Quarter of the Old City by a group of Jews backed by the government.

But making common cause with the Palestinian Moslem majority has not stemmed emigration. Nor have attempts by the churches to help their communities economically by funding housing projects and other self-help programmes.

Most churchmen believe that only a political settlement between Israel and the Palestinians will persuade Christians to stay. In the meantime, there is a strong feeling that Christians in the rest of the world have neglected the community that has guarded and maintained the faith's most hallowed shrines for 2,000 years.

Dr John T'leel is a prominent lay member of the Greek Orthodox church living in the Old City. "The west created Israel, but the west has forgotten us. In 20 years there will be no Christians left here and the west will wake up and it will be too late."

Hugh Carnegy

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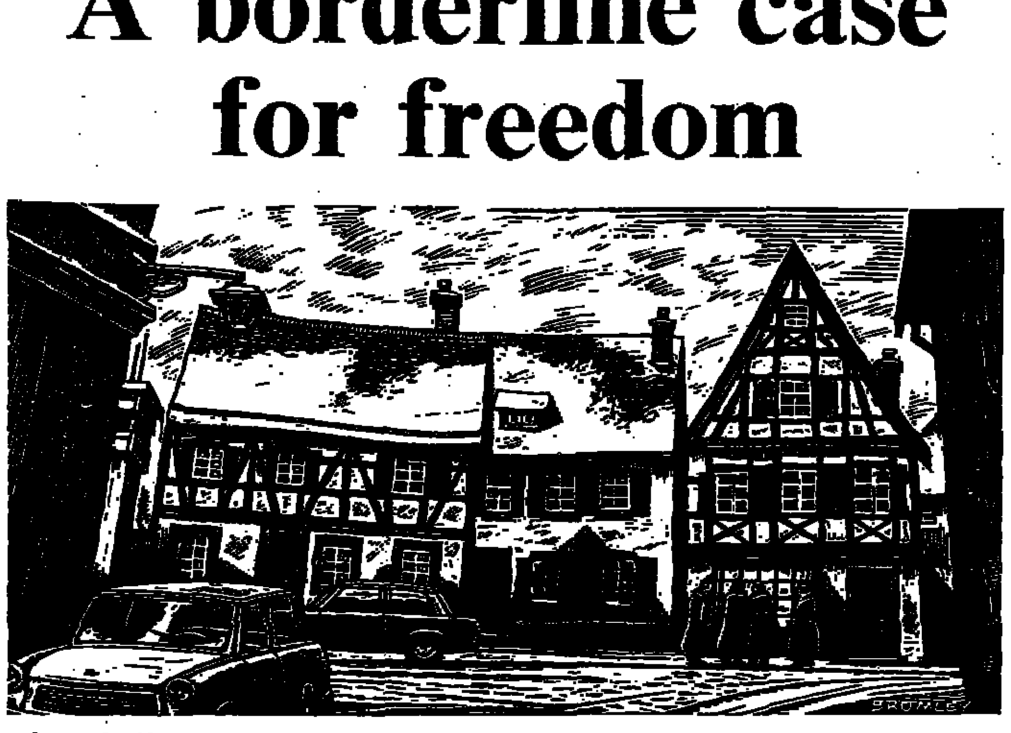
Andrew Fisher looks at what a difference a year makes to a small town in eastern Germany

A borderline case for freedom



There can be few more poignant symbols of freedom than the little hump-backed bridge that crosses the river Werra. For nearly 40 Christmases until the German border was opened in November 1989, it marked the division between two societies, one free and prospering, the other isolated and regimented.

Nobody from the small, picturesque but dilapidated east German town of Vacha was allowed to cross the bridge. In the middle was a grey watchtower – still there, rusting, its windows smashed – and the border wall and fence which straggled away up the hillside created a cruel barrier between east and west.

Christmas was celebrated in much the same way on both sides of the border, which was about 100 miles north-east of Frankfurt. The festive meal consisted of goose or duck with the traditional red cabbage and dumplings. But whereas West Germans could buy what they wanted in amply filled shops, East Germans were forced mainly to rely on networks of friends, relatives, and contacts to help make life bearable.

In a way Christmas may have meant more for those in the east, with restricted lives and little opportunity for enjoyment. Not surprisingly, though, most east Germans do not miss the old days. While they were never near-starving, life was a struggle and Vacha suffered from its status as a forbidden border zone – inhabitants could travel to other parts of East Germany, but only close relatives could visit.

Now that east and west are rejoined, it is possible to gaze from the stone bridge into Vacha, with the gothic spire of the Lutheran church and the handsome red brick vicarage making up a scene that could almost come from a Christmas card. A smartly painted gabled house presents an elegant façade to the west, though the streets behind are shabby and many buildings decaying.

The town is lightly dusted with snow, the atmosphere is peaceful. Ducks swim in the icy water and children toboggan down the gentle riverbank where they would not have been allowed to play just over a year ago.

The events that changed the life of Vacha, now part of the new state of Thüringen, are stated simply on a memorial stone in the ground where the bridge begins on the eastern side. Its inscription reads: "Bridge of Unity. October 3 1990." It was then that Germany officially came together.

But the euphoria had evaporated by that date. The real joy had swept the streets after the border came down and had enhanced Christmas 1989, when the celebrations were heightened by the new feeling of togetherness. People from nearby Philippsthal, in the west, could visit friends and relations they had not seen for 30 years or more.

"Last Christmas was sensational," remembers Mrs Ursula Roch, who has rented out part of her house to a west German businesswoman. Mrs Roch, 51, helps in the gift store, selling vases, mirrors and Christmas decorations. "We drank Sekt (German champagne-type wine) and danced. There were lots of people."

Vacha had been strictly out of bounds. "They didn't want people to see it," says Mrs Roch of the East German authorities' determination that their citizens should not know how fearsomely the border was guarded. She remembers sitting on a hill behind Vacha watching the funeral of one of her grandparents on the other side. "People cried to us to come over. It was dreadful for my mother."

Now, Mrs Roch and her fellow townspeople face a tough economic reality after their initial exhilaration. Although the Christmas market in the main square was the biggest and liveliest for years, many families are worried about what 1991 will bring. On the positive side, people have D-Marks and a wide array of goods to choose from. The gaily painted Christmas tree baubles sold by Mrs Roch would never have been available before, or only in exchange for special favours.

But the jobless level has risen rapidly. The nearby Kali (potash) mine and plant, which once employed more than 8,000 people, is trying to survive by cutting to about 2,000 over the next few years. The cable factory is staying, with 600

Townspeople face a tough economic reality after their exhilaration ... they worry about 1991

instead of 800 jobs, and will move to a new industrial site at the edge of town.

Since the D-Mark came to east Germany in July, Vacha, a town of 4,300 people with an 800-year history, has had a partial facelift. There is a brand new supermarket packed with western goods. Some shops and houses are being renovated and the eyesore of a petrol station in the market place is to be removed.

By far the prettiest building is a 400-year-old timber-fronted house whose façade has been replastered and painted. It is called the 'Gingerbread House' and contains the cosy little confectionery and spirits shop run by Mrs Elke Schmidt, 49. From her upper back window, she and her husband Eckardt, a Russian teacher who now finds his pupils all want to learn English, could see the border fence.

Her business has done well since she was able to widen her assortment with attractively packaged, tasty western chocolates, liqueurs and wine. In past Christmases, she could only sell basic, dull East German chocolates, sweets and drinks. "There was a saying here," she notes wryly. "'There's nothing to be had, but everyone can share it.'"

There is more than enough on her shelves this year, from Italian sparkling wine to American bourbon. But people wonder about the future. "Lots of people have said: 'Mrs Schmidt, I'd love to buy if I knew I would have a job in January.'" Vacha's carefree youngsters come wide-eyed into her shop. But the heavy-handedness of the former regime has left its mark. "You can tell immediately if kids are from the west," says Mrs Schmidt. "They come in and talk openly. Children here are much more reserved."

East German children have certainly been able to look forward this Christmas to more exciting presents. In the toyshop, parents and children mill around, looking at Barbie dolls, west German games and puzzles, toy kitchens, shops and post offices, bicycles, and mini-robots. There is even a battery-driven police motor bike, expensive at DM280. No east German toys are in sight.

Mrs Edeltraut Ender, 37, who runs the nearby sewing machine and wool shop, recalls when times were really bad. "To buy a pair of boy's trousers, I had to show identification proving I had two children. And I still had to queue." Her husband works at the Kali plant and expects to keep his job. Others are uncertain.

"There is still a lot of fear."

Outside, in the square, there are some illuminated decorations, but the Christmas spirit seems muted. A big tree with lights stands in front of the elegant town hall, once a hotel where Napoleon is said to have made a quick escape in mid-lunch as Cossack troops caught up with his ragged army on its retreat from Moscow in 1813.

Mr Peter Raatz, 56, vicar at the Lutheran church for 12 years, says one of his predecessors delayed the Cossacks with Schnapps so Napoleon could flee. This week, Mr Raatz hopes for a congregation of more than 500, though the church is unheated. "Christmas is rooted in the German soul," he remarks. Last year, many came from the west.

Just over a year ago, the church was a centre of dissent, as in the rest of East Germany. Attendance has since fallen, but Mr Raatz says there is more demand from parents for christenings now that the state's atheistic hand has been removed. This year, he has christened nearly 30 children; last year, it was only eight.

By the time they start going to school, Vacha hopes to be participating in the rapid growth which east Germany needs if its citizens are to match western living standards. Vacha's new mayor, Mr Karl-Heinz Grübel, 37, a former bobsledder in the East German national team, says that at present, the Bad Salzungen area, including Vacha, has about 6,000 unemployed and nearly 20,000 on short-time out of a labour force of 46,000.

"A lot of families have been hit hard, especially where both parents are out of work," he says. While Christmas in Vacha will be celebrated in a united Germany for the first time in four decades, the economic benefits of freedom are still some way off. The townspeople will do their best to forget this over Christmas. In the new year, the problems will have to be faced.

Shoppers' delights: from Ninja Turtles to TV dish

Clay Harris draws up a list of some of the year's best-selling and most intriguing products

Apart from Ninja Turtles and Nintendo, what was hot in 1990? Attempting to winnow a few winners from the thousands of products which come on to the market around the world each year requires looking through a clouded glass. Who wants to be stuck with a Sinclair ZX81 or Cabbage Patch Kid?

One of the safest bets is **Microsoft's Windows 3.0** software. Its "graphical user interface" (GUI) uses pictures rather than words on the screen to run personal computers.

Windows 3.0 represents an escape from the strait-jacket of DOS, the personal computer operating system using hard-to-memorise lists of commands and unhelpful error messages. It gives low cost IBM-style personal computers the look and feel of an expensive Mackintosh, the Apple Computer personal computer which pioneered the GUI.

Microsoft, the world's largest personal computer software supplier, spent a fortune to develop Windows 3.0 and sells it for peanuts – $150 in the US, £99 in the UK. Some retailers throw it in with each personal computer they sell.

Matsushita Electric Industrial came up with two of 1990's top products. Its **Aisaigo Day Fuzzy washing machine** automatically senses the weight of clothes and the type and amount of dirt, although not differences in colour and material. Using "fuzzy logic", which allows ambiguous information to be translated into numerical values, it chooses the appropriate programme and amount of detergent.

Since *aisaigo* means caring for one's wife, the implication is that the machine is so simple that even men can do the laundry. Matsushita, which launched Aisaigo in February, is now selling 30,000 machines a month at Y83,000 (£324).

Matsushita's portable camcorder, another "fuzzy" product known in the US and Europe as "Palmcorder", incorporates a "digital image stabiliser" which automatically cancels out the effects of camera-shake. It is designed for use on high-speed bus tours where passengers are not given time to get off the coach. Matsushita has sold 350,000 machines for about Y160,000 (£625) each since they were launched in June.

Managers at Kirin Brewery have been crying into their cups ever since rival Asahi Brewery swept the market with Dry Beer in the late 1980s. In 1990, Kirin came up with **Ichibanshibori**, a name which implies the beer is made entirely from "the first strain" of the fermented liquor and appeals to the Japanese demand for anything that is fresh or new. Launched in March, Ichibanshibori has grabbed 7 per cent of the domestic market.

In the UK, the **Mars Bar Ice Cream Bar** transformed the choc-ice from a kiddie treat into an adult indulgence, accounting for 10 per cent of all spending on ice-cream. Its success showed that Britons would pay a premium for quality after years of eating ice-cream made with non-dairy fat.

For design freaks, those who covet the Mazda MX5 (or Miata) roadster and cannot resist Braun's black pocket calculator, there has been good news from Alessi of Italy. The **Juicy Salif** came on the market in March and Alessi has already sold more than 80,000 at £30 each. It is a lemon squeezer.

Out on the streets, **Reebok's The Pump** was *the* sports shoe of 1990. Its inflatable sole is pumped up until it perfectly fits the wearer's feet. Reebok introduced The Pump as a basketball shoe in the US in November 1989. It was priced at $175 (£90) and has since mustered sales of more than $150m.

The Pump arrived in Europe this autumn. Reebok has introduced versions for tennis, running and cross-training in the US. Others for outdoor, walking and golf are coming soon.

Proud owners of these *objets* might scorn, but there is no gainsaying the place of the **TV satellite dish** in a list of this year's products. Slowly at first but with increasing speed the 60cm dishes and receivers to watch 16 channels from the Astra satellite, including Sky Television, sprouted on walls and roofs from the Orkneys to Land's End. By now there are more than 1m of them, most made by Amstrad.

The dish, less elegant and less sophisticated than the BSB Squarial, won the day because it was cheaper, it worked and it was first. The victory reminded many of the way VHS prevailed over Betamax in the battle of the video cassette formats.

How are we to pay for all this? More than 4m Americans could use their **AT&T Universal card**. Eight months after its launch, it was the sixth most popular US bank card, having withstood attacks from its biggest competitors. The card, issued in Visa or Mastercard versions, has several attractions. One is a 10 per cent discount on AT&T's normal calling card rates, but more important the company promised "charter" account-holders they would never be charged an annual fee.

In industry, **thin slab casting**, introduced by Nucor, the US mini-mill steel maker, could prove to be one of the most innovative developments for many years. Thin slab casting allows a steel maker to squeeze the liquid steel to a thinness which allows it to go straight to the rolling mills. The expensive and time consuming process of reheating and flattening slabs is eliminated, yielding thin slab casters a competitive edge over traditional steel makers.

An "under-achiever" – and proud of it – was one of 1990's over-achievers. Ten-year-old **Bart Simpson** became an anti-hero for millions of US school children. The Simpsons, a bug-eyed, bickering blue-collar cartoon family – blue *hair* in the case of mother Marge – commanded one of the biggest audiences on prime-time television within two months of their launch in January. The show spawned a vast array of licensed and pirated paraphernalia – including hats, watches, key chains, bed linens, bubble gum and a Bart Talking Doll.

Twin Peaks? Forget it. As Bart would say: "Eat my shorts, Laura Palmer."

Reporting by Alan Cane, Charles Leadbeater, Alice Rawsthorn, Raymond Snoddy, Emiko Terazono, Stefan Wagstyl and Karen Zagor.

LETTERS

The R&D of a high-tech dilemma

From Dr Aodh O'Dochartaigh.

Sir, Christopher Lorenz's report ("How to spur innovation", Lombard, December 14) is timely and constructive. ICL spends a significant proportion of its turnover (some £170m this year alone) on research and development. I believe that some form of tax relief would help compensate for the fact that many of our competitors abroad enjoy direct government subsidy and other forms of support for R&D.

However, I also believe that if and when the government starts to look at this issue objectively, it will recognise that there are a number of other ways in which it could improve the climate for Britain's high technology industries. Companies like ICL tend to be characterised by high R&D costs. One of the basic services the government could extend to UK high technology companies is to continue the drive for a genuinely competitive, deregulated European market place.

It could also help by working more closely with other European governments to identify ways of improving the efficiency of public administration at the European level by developing advanced and cost effective IT networks. Provided these networks were based on Open Systems standards rather than proprietary standards, and were subject to transparent tendering processes, these networks could be rapidly implemented and would enjoy the benefits of open international competition while still providing a boost for the European industry.

Aodh O'Dochartaigh,
director, ICL,
1 Putney High Street, SW15

From Mr Philip Campbell.

Sir, Christopher Lorenz is surely right to complain of a disproportionate emphasis towards R&D whenever industrial innovation is discussed. It is worth adding that many industrial scientists play innovative roles that have little to do with R&D, adding value not least through their grasp of what novel technologies can bring to their companies' operations and relations with customers. This contribution is underplayed, to the continuing detriment of many parts of the economy.

But Mr Lorenz needlessly injects a prejudiced account of the concerns about funds expressed by those in "big science". To him they may "reek of idealism or rank self interest". But that emotive phraseology simply does not do justice to the benefits, national and international, that those engaged in developing technologically demanding experiments bring both to science and to industry, nor to the fascination of the public (including the young who will become the manufacturers of tomorrow) in precisely those explorations. More to the point, Mr Lorenz appears to treat R&D funding as a zero-sum game between "big science" and support for near-market innovation, and makes no acknowledgment of published statistics showing how poorly the total UK spending on civil science and other forms of innovation compares with the spending of our neighbours.

For the sake of future skilled manpower and of the national economy, British scientists, engineers and manufacturers need to co-ordinate their visions of the future. They should not undervalue each other's activities, and Mr Lorenz should stop encouraging them to do so.

Philip Campbell,
editor, Physics World,
Techno House, Redcliffe Way,
Bristol BS1

We could do with a few more years like 1976...

From Mr Tony W Ching.

Sir, I was puzzled by Joe Rogaly's claim, in an otherwise sensible account of social expenditure trends ("Costing Mr Major's Welfare State", December 14) that the arrival of the International Monetary Fund in 1976 put a stop to "drunken-sailor spending" by the 1974-79 Labour government.

Between first quarter 1974, when Labour took office, and fourth quarter 1976, when the IMF came to town, general government final consumption grew at just 0.7 per cent a quarter (Economic Trends Annual Supplement 1990) – exactly the same rate as under the preceding Conservative administration.

Buoyant social spending had anyway proved rather a successful response to the recession bequeathed by Opec and (I regret to say) Mr Heath.

While the IMF, City and press fretted over lavish lifestyles for pensioners and paupers, out in the real world 1976 was proving rather a good year for Britain. GDP and productivity growth, personal savings, shares of world exports, balance of payments, the international value of the pound – all were better than now.

Real interest rates, import penetration, average individual taxation (income tax, NI, VAT, rates) and unemployment were all lower.

The trade deficit was a fraction of today's monster, and improving much faster. Nor was the longer term being neglected: the slice of GNP devoted to investment was higher than in all but two years of the 1980s.

Industrial training was three times today's wretched levels. And North Sea oil, that matchless gift to the 1980s, was coming along at a cracking pace.

We could do with more years like 1976. At a time when a Major recession threatens to be as needlessly destructive as the Thatcher experiment, we could even learn some lessons from it. But not by wheeling out tired old propaganda myths in place of the factual record.

Tony W. Ching,
4, Drayton Green Road,
Ealing, W13

Sotheby's balance sheet debts are not what they seem

From The Earl of Gowrie.

Sir, Your correspondent Clare Pearson made a number of surprising comparisons between Christie's and Sotheby's ("Gavel falls on Christie's jobs", December 19).

We at Sotheby's are not retrenching by closing smaller offices; we are expanding our regional salesrooms by relocating them more conveniently for our British, overseas and continental clients.

The debts on our balance sheet finance our loan portfolio secured against works of art at conservative valuations. This is a service that has proved popular with our clients and profitable to ourselves and we intend to augment it.

Gowrie,
Sotheby's,
34-35 New Bond Street, W1

The maligned System X is a success — in anybody's language

From Mr B.F. Lawson.

Sir, The article by Mr Peter Martin ("When X marks confusion", December 18) is totally misleading in its treatment of System X and shows some fundamental misunderstandings.

The author declares that the simple difference between the USA system and the UK System X facility is that "instead of being able to do one thing ... you can do three". Most people would see the facility to do more things as a benefit.

GPT's System X Star Services software package was developed in response to our customers' requirements and provides a series of advanced features. All systems in the UK, not just System X, must meet these specifications if they are to provide similar exchange facilities.

However, such is the flexibility of System X that it can and does offer feature packages tailored to the needs of any telecommunications administration across the world. "Call waiting" is one of the many features offered, and this could just as easily be implemented on System X as in the USA.

Regarding your point about System X's commercial success, you should be aware that System X has been sold to 16 telecommunications administrations including British Telecom, Mercury, Kingston Communications, China, Colombia, Kenya and the Philippines.

In the past year alone, the System X division of GPT has won the Queen's Award for Technological Achievement, the British Quality Award, BT's Network Supplier Award, and the British Training Award.

This can only be regarded as success in anybody's language.

Mr B.F. Lawson,
group director, GEC PLessey Telecommunications Ltd,
Edge Lane, Liverpool L7

FINANCIAL TIMES
Monday December 24 1990

Major makes his mark on US tour

By Lionel Barber in Washington

MR John Major arrived in the US an unknown quantity. But in 24 hours, in his own unassuming way, Britain's new prime minister made his mark.

This had not been a foregone conclusion. The Bush administration is focusing increasingly on the likelihood of war with Iraq and senior officials remain stunned by the resignation of Mr Eduard Shevardnadze as Soviet foreign minister, an event which coincided with Mr Major's arrival on Thursday night.

The British response was to stick largely to the original game-plan for the prime ministerial debut: unequivocal support for the US stand against Iraq's President Saddam Hussein; strong backing for Nato as the cornerstone for the western alliance; and, more ambitiously, an effort to persuade the administration to show more interest in the multilateral trade talks under the auspices of the General Agreement on Tariffs and Trade.

Mr Major came across as deadly serious on the Gulf; just as serious as President Bush who informed senators last week that he might have to "kick ass".

There was much private talk on how to get the message across to Mr Saddam that he must withdraw from Kuwait by January 15 or face a war. But Mr Major would not be drawn on whether this could be a limited show of force against Iraq before or after the UN-imposed deadline.

If there was a tangible success, it was on Gatt. After spending Friday evening at Camp David – shirtsleeves and the lack of ties being de rigeur – Mr Major emerged with a commitment from the president that the US would show more flexbility in advance of the mid-January meetings which aim to revive the stalled negotiations.

The US commitment is dependent on other parties – particularly the European Community – showing equal flexibility. But British officials believe Mr Bush's position could signal a willingness to compromise on farm subsidies or, perhaps, a readiness on the part of the president to persuade Congress to extend his fast-track authority to negotiate trade agreements beyond March 1.

This could be significant, since it would give negotiators more time to tackle the vast amount of work outstanding on the Uruguay Round of Gatt negotiations; more importantly, it would mean Congress would still have to vote for or against one package rather than being allowed to amend (and threaten) the final deal.

In Brussels, this month, the US (supported by Third World countries) rejected as inadequate European offers to reduce agricultural supports by 30 per cent over 10 years. The collapse of the talks jeopardised efforts to liberalise trade in services, textiles, patents and semiconductors. Some criticised the US for holding the Uruguay Round hostage to the agriculture issue.

Mr Major certainly suggested as much in a blunt session with Mr James Baker, US secretary of state, where he said US negotiators had not shown sufficient flexibility. This is the kind of talk which Mrs Margaret Thatcher, his predecessor, would normally have delivered to the European Community, but Mr Major apparently believes that Britain will be more effective by talking straight with both sides in a modest "honest broker" role.

In this case, the gamble appears to have been to go over the heads of the leading US trade negotiators, Mrs Carla Hills and Mr Clayton Yeutter, and win over Mr Baker. It may work – although the initial signs were that the secretary of state did not relish being the target of such a well-briefed assault on trade.

Mr Major's riposte is that the prize is too great to be ignored; free trade should give an important boost to the flagging world economy.

Mr Major's easy manner and straight-bat approach to life impressed his audience, as did his message that Britain was determined to play its part in Europe.

As he said on Friday: "I think the US would want to see the United Kingdom absolutely central in a European Community, building and shaping the sort of community that is at present evolving."

Sharing the joke: UK Prime Minister John Major with President Bush at Camp David

Christmas thrives in the souks of Baghdad

By Richard Tomkins in Baghdad

ODDLY, perhaps, for a predominantly Moslem country on the brink of war with the west, Iraq is celebrating Christmas.

Many of Baghdad's streets are strung with festive lights. Shops and restaurants extend the season's greetings to their customers. The souks have been doing a lively trade in fir trees.

One reason the Christmas festival thrives in Iraq is that it has become blurred with the New Year celebrations which take place in Baghdad, as in the west, on January 1.

The distinctive Yuletide dimension to the festivities, however, results from the influence of a 500,000-strong Christian community – at 3.5 per cent of the population, one of the biggest in the Middle East.

Easily the most numerous of the several Christian groups are the Chaldeans, an eastern offshoot of the Roman Catholic Church led by His Beatitude Raphael I Bidawid, Patriarch of Babylon of the Chaldeans.

Larger-than-life and enrobed in crimson, Patriarch Bidawid says the secular policies of the ruling Baath Party – itself founded by a Syrian Christian, Michel Aflaq – have been good for Iraqi Christians.

"In former times, we have been badly treated, but under the lay regime of President Saddam Hussein there is no discrimination against us," he says. Apparently backing up his assertion is the prominent role of Christians in society, the best known example being Mr Tariq Aziz, the Iraqi foreign minister.

Privately, some Christians say they still face disadvantage. Intermarriage with the Moslem community, for example, is forbidden unless they forsake their religion for Islam.

A more immediate fear, however, is that religious tolerance could be one of the first casualties of war if conflict breaks out with the west.

In the early stages of the stand-off, President Saddam's rhetoric was peppered with historical references to the crusades and threats of a jihad [holy war], to defend the Arab nation.

During the eight-year war with Iran, Christians were at one with their compatriots in the battle against Islamic fundamentalism. But today's crisis has made their position ambivalent.

Traditionally well-educated and heavily represented in the middle class, many Iraqi Christians have friends, relatives or other contacts in the west. Some say they would feel a good deal more comfortable if they could join them.

For the moment, the near-total ban on foreign travel rules that out. But according to one apprehensive Christian: "The day they let us leave, there is going to be an exodus."

THE LEX COLUMN

A fancy price for Mickey Mouse

Better to travel than to arrive: a useful investment motto when it comes to investing in Europe's two big stock market projects – Eurotunnel and Euro Disneyland. The real big money is going to be made or lost before Euro Disneyland opens in April 1992 and Eurotunnel in June 1993.

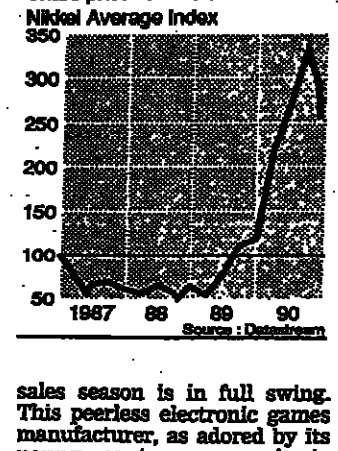
In terms of construction risk, Eurotunnel was always the riskier of the two. Now that its equity base is 50 per cent bigger, the threat of the tunnel not being completed is minimal. Not surprisingly, its shares have risen by 16 per cent since the rights issue was completed earlier this month.

Similarly, Euro Disneyland's shares took a nasty tumble on Friday following a newswire report that it was seeking authorisation to raise FFr5bn of extra capital. When set against the FFr5.7bn of equity raised in November 1989, this was bound to raise fears that captive shareholders might face some dilution. The report turned out to be nothing more than a request for a blanket authorisation rather than a concrete proposal. This may be common practice among French companies, but it was bound to cause some concern among Anglo-Saxon investors who take their shareholder rights more seriously. Hence the skittishness of the share price.

While the construction risks of both projects have been greatly reduced, the commercial risks have been rising. Oil prices and interest rates are substantially higher than they were when these projects were first brought to the stock market and the near term economic outlook has deteriorated. Just as Eurotunnel has to prove that it can attract 29m passengers in 1993, Euro Disneyland has to demonstrate that it can find 11m customers in its first year. The forecasts may well turn out to be unduly conservative. But Euro Disneyland is selling on 20 times 1994 earnings, while its successful Walt Disney parent is selling on 15 times the depressed earnings expected this year.

Nintendo

Share price relative to the Nikkei Average Index



Source: Datastream

Nintendo

When a share outperforms a local market by a factor of 3½ over just 18 months, it is only natural for investors to take some profits. Nothing surprising, then, if the same stock were to fall back to mere 250 per cent outperformance. But when a host of analysts turn bearish on the long-term outlook for the shares and the company in question is Nintendo, something more is afoot, especially when the Christmas sales season is in full swing. This peerless electronic games manufacturer, as adored by its young customers as it is abused by parents, is reportedly under pressure in its key US market.

The bear case argues persuasively that Nintendo's earnings per share could fall by 20 per cent in 1991-92 as the company experiences falling margins from the introduction of its new generation of sophisticated game consoles. Hardware has traditionally been sold at near break-even, with Nintendo's fabulous profits generated by the software which plugs into the console. Competition at both ends of the market, together with a rapid rise of game rentals in the US and a nasty court case from Atari, are all adding to the pressure on earnings. Profits, three quarters of which are generated outside Japan, are vulnerable to foreign exchange.

Despite fast sales growth in the UK and the rest of Europe, the company is in danger of losing its reputation as a play for all seasons. As the recession bites in the US, families appear to be buying more traditional toys and fewer of the high-margin game cartridges which have pushed the shares to extraordinary heights. From a high of Y30,900 in October, the shares have fallen by a third. Nintendo's market capitalisation, however, is still bigger than Disney's and twice as large as that of the entire US toy industry.

Golf membership

Harrassed Tokyo golfers practising their swings in a cramped *torikago* deserve a little less sympathy than usual this year. The possibility of escape from the driving range onto the fairway has become much less daunting following a 60 per cent collapse in golf club membership prices. In March, when the stockmarket was tumbling, membership prices were falling by up to $500,000 a week at the top end of the market. Thereafter, the bear market in real estate dragged the Nikkei Golf Membership Index from its high of around 950 back to 700 by November (at the beginning of 1989, the index was below 500). Speculators and golf club developers like Itoman which finance their projects by selling memberships in advance found their operations under mounting pressure.

Given the much bigger falls on the Nikkei stock index this year, membership of most clubs has nevertheless been a good investment. Whatever happens to land prices, the exclusive courses with the best locations will always have a development potential way above the intrinsic value of the golfing facility. And the queues to join are nearly as long as they always were.

Actuaries' pay

Spare a thought this Christmas for the occasional underpaid actuary, toiling at a year-end bonus declaration. Figures compiled in an idle moment by Smith New Court reveal that while all actuaries are theoretically equal, some are considerably more so than others. The annual returns filed by life assurance companies with the Department of Trade and Industry show the salaries of the appointed actuary, the person at each company legally responsible for making sure that all the numbers add up. Smith found that the man at Standard Life received a handsome £163,784 in 1989, or twice as much as the fellow at Legal & General, who got £81,885. At TSB Life, the poor chap seems only to have managed £22,948 for seven months' work; and the man at London & Manchester did only a little better at £51,616 a year.

Thinking statistically, as befits the subject, it would be logical to expect that the rewards reflect the size of the company. But they do not. According to Smith, the man at Pearl Assurance earned £75,741 in 1989; his peer at the Scottish Mutual, less than half Pearl's size, made £97,212. The only general rule seems to be that the aspiring actuary would do better to choose a mutual rather than a shareholder-owned company. Among the UK's top 30 life companies, the appointed actuaries at mutuals earned on average in 1989 £96,200. Those at the shareholder-owned insurers had to settle for £90,335 each.

Yugoslavia rebels hold referendum

By Laura Silber in Belgrade

YUGOSLAVIA'S rebellious western republic of Slovenia yesterday defied the threats of the federal authorities by holding a referendum on independence. But Mr Lojze Peterle, prime minister of Slovenia, denied that the referendum would mean a sudden separation from the federation.

Belgrade last week threatened to impose economic sanctions on Slovenia if it went ahead with the referendum.

The referendum asks voters to give the Slovene government a mandate to secede if the republics cannot reach an accord within six months and is likely to be overwhelmingly in favour.

Slovenia and neighbouring Croatia have called for the transformation of the Yugoslav federation of six republics into a loose confederation of independent states.

Serbia, led by hardline former Communist President Slobodan Milosevic, has staunchly refused to alter the country's federal structure.

The recent victory in the Serbian presidential and parliamentary elections of Mr Milosevic and his Serbian Socialist Party has heightened fears that it will be impossible to reach a consensus on Yugoslavia's structure.

Croatia, the second biggest republic, passed a new constitution on Friday proclaiming itself a sovereign state. Under the constitution, control over the armed forces, diplomatic relations and international agreements will be devolved to the republic.

The 600,000-strong Serbian minority in Croatia, who have refused to recognise the new constitution, reacted on Saturday by declaring autonomy for the predominantly Serbian region around the town of Knin.

The moves by the western republics come amid warnings from the military that the Yugoslav People's Army would not stand by and watch the country fall apart.

Mr Peterle warned at the weekend that Slovenia would use force if necessary to defend "its right to self-determination." He added: "The Slovene reservists will not be the first to use arms, but they will respond to violence with violence."

Slovenia and Croatia have recently transferred the command of their territorial defence units to the republics.

Thousands of UK retailers flout Sunday trading laws

By Alice Rawsthorn, Ivo Dawnay and Lynton McLain in London

THOUSANDS of shops throughout England and Wales opened their doors to Christmas shoppers yesterday in the biggest challenge yet to laws against Sunday trading.

The Shopping Hours Reform Council claimed that 15,000 shops opened as several store groups tried to counter the retail recession by drumming up extra pre-Christmas sales.

But the Keep Sunday Special (KSS) campaign said few shops were open apart from those spearheading the campaign. "There is not much doing, and even when there are people around they are not buying much because of the credit squeeze," said KSS.

Consumer groups and campaigners for Sunday trading reform hailed the massive flouting of the laws as proof that a change was needed.

But government officials insisted that there were no immediate plans for new legislation.

"The government has consistently said it is prepared to look at a scheme that is less than total deregulation," said one. "But there has to be some sort of consensus to find an agreement."

Breaches of the law were a matter for local authorities or the attorney-general's office.

In London's Oxford Street, only British Home Stores, among the big stores, was open.

In nearby Regent Street, crowds swarmed round Hamley's, the world's biggest toyshop and the only large store in the street to open.

Ratners, the UK's largest jeweller, opened all its high street stores yesterday for the third consecutive Sunday, apart from 13 of its shops which have received injunctions in the past fortnight. Mr Gerald Ratner, chairman, said they had made about 10 per cent of their usual weekday's sales for the past two Sundays.

The Consumers' Association claimed the public's reaction to yesterday's store openings reinforced its view that the restrictions on Sunday trading were "unpopular, outdated and unworkable".

Mr Derek Prentice, head of campaigning, said: "Shoppers have voted with their feet. Everyone agrees the present law is a mess. It should be scrapped. Sunday opening works in Scotland, so why should English and Welsh consumers be penalised in this ridiculous way?"

However, KSS said it had been "inundated" with complaints from retail staff under "intolerable pressure" to work on Sunday. Usdaw, the shopworkers' union, said some of its members would have worked for 10 consecutive days before Christmas only to return to work on Boxing Day.

Mr Roger Boaden, director of the Shopping Hours Reform Council, said most of the staff working yesterday were volunteers and many had been paid premium rates.

Even some of the retailers opposed to Sunday trading accepted the need for reform. The Co-operative Wholesale Society said the present situation was "a mess, which should be sorted out."

Compulsory UK call-up is possible

By Ivo Dawnay, Political Correspondent, in London

THE BRITISH government is poised to issue compulsory call-up papers on December 27 for the first time since the 1960s if too few armed forces reservists respond to an appeal for volunteers to serve during the Gulf crisis.

Yesterday, the UK Ministry of Defence confirmed that a decision would be taken on Thursday if the response to a voluntary call for 1,500 largely medical personnel failed to attract sufficient support.

It is understood that fewer than 1,000 reservists have so far responded to the appeal, prompting Mr Tom King, defence secretary, to seek a Queen's order in council last week to guarantee financial compensation and job security for volunteers.

He had given notice earlier in the month that reservists with medical, engineering and ordnance skills would be needed in the UK, Germany and the Gulf. Reservists have been told they may be ordered to report to barracks on January 5, if the numbers remain below requirements.

Few cheers for Walesa

Continued from Page 1

International Monetary Fund-approved austerity programme, is a clear signal that the president wants to see the deputy premier remain in office and even head a caretaker government until elections can be held in the spring.

New efforts to put together a cabinet are expected to resume after the Christmas break. Last week Mr Jan Olszewski – a noted defence lawyer and Mr Walesa's first choice as a prospective premier – dropped out of the running after failing to agree with the president on a government line-up.

Mr Walesa promised parliament that he would never forget his humble origins and that workers and peasants would feel at home in the new Poland.

But he failed to mention the Solidarity trade union, a sign that the president intends to govern alone without regard for his erstwhile allies.

In his speech in Parliament the President also stressed that the moment marked Poland's reemergence as an independent State and spoke of the need for good relations with Germany which he hoped would act as "a friendly gateway into Europe".

UK plans hard Ecu bond

Continued from Page 1

The total funds required in this period could run up to £4bn ($7.7bn).

Under the scheme being considered by the government, borrowers would lend money in a range of currencies and would arrange for repayment at some time in the late 1990s either in these currencies or in hard Ecu financial instruments such as notes or coin – assuming these had been created by this time.

The new hard Ecu issue would be separate from issues of securities denominated in the existing basket Ecu – a notional currency based on the average weightings of the main European currencies.

The government is believed to have been encouraged by the success in the past decade of the bond market in basket Ecus. Some Ecu100bn of such bonds have been issued over this period.

These bonds are now traded actively, particularly in London and Paris.

To ensure that investors would be able to distinguish between the new hard Ecu and the basket Ecu, there is some support in government circles for giving the hard Ecu a new name. One idea is to call it the Europa.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	13	55	Berlin	C	4	39	Caracas	C	27	81	Faro	S	14	57	Islamabad	C	15	59
Algiers	-	-	-	Biarritz	S	11	52	Casablanca	F	16	61	Florence	S	7	45	Istanbul	F	5	41
Amsterdam	F	8	46	Bombay	S	31	88	Chicago	-	-	-	Frankfurt	Dr	5	41	Jakarta	R	30	86
Athens	C	11	52	Bordeaux	S	7	45	Cologne	C	7	45	Geneva	C	4	39	Jersey	C	8	46
Bahrain	S	21	70	Boulogne	C	8	46	Copenhagen	C	5	41	Gibraltar	S	15	59	Johannesburg	F	28	82
Bangkok	F	32	90	Brussels	C	8	46	Corfu	S	12	54	Glasgow	S	8	46	Lima	F	23	73
Barcelona	F	8	46	Budapest	C	-1	30	Dallas	S	-12	10	Helsinki	C	-2	28	Lisbon	S	9	48
Beirut	-	-	-	Buenos Aires	C	29	84	Dublin	F	10	50	Hong Kong	S	18	64	London	C	9	48
Belfast	C	7	45	Cairo	S	23	73	Dubrovnik	S	12	54	Innsbruck	Fg	0	32	Los Angeles	S	3	37
Belgrade	C	3	37	Cape Town	C	21	70	Edinburgh	S	7	45	Inverness	S	7	45	Luxembourg	Fg	4	39

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	F	17	63	Milan	Fg	0	32	Nicosia	F	17	63	Salzburg	S	6	43	Tenerife	C	17	63
Madrid	S	5	41	Montreal	R	1	34	Oporto	C	8	46	San Francisco	S	-1	30	Tokyo	S	15	59
Majorca	F	15	59	Moscow	F	-9	16	Oslo	Dr	2	36	Seoul	S	-1	30	Toronto	Sn	0	32
Malaga	S	14	57	Munich	Fg	3	37	Paris	C	7	45	Singapore	F	30	86	Tunis	C	13	55
Malta	F	17	63	Nairobi	F	24	75	Peking	S	4	39	Stockholm	Dr	3	37	Valencia	F	7	45
Manchester	S	10	50	Naples	S	15	59	Prague	C	4	39	Strasbourg	C	5	41	Venice	S	6	43
Manila	C	28	82	Nassau	C	27	81	Reykjavik	C	0	32	Sydney	S	39	102	Vienna	F	4	39
Melbourne	C	18	64	New Delhi	-	-	-	Rhodes	F	15	59	Taipei	C	19	66	Warsaw	C	-4	25
Mexico City	F	22	72	New York	C	12	54	Rio de Janeiro	F	35	95	Tangier	S	15	59	Washington	C	16	61
Miami	S	21	70	Nice	S	13	55	Rome	S	11	52	Tel Aviv	C	18	64	Zurich	Dr	3	37

Temperatures at midday yesterday C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sunny Sl-Sleet Sn-Snow T-Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
Monday December 24 1990

INSIDE

US carriers fly wing tip to wing tip

Will Trans World Airlines, the heavily indebted carrier controlled by corporate raider Carl Icahn, do a little last-minute Christmas shopping? On Friday afternoon, *Pan Am*, one of the most cash-strapped of the American carriers, *finally* gave a conditional welcome to TWA's persistent merger advances. This response has left Mr Icahn playing a delicate hand. *Nikki Tait* reports. **Page 14**

That was the year

1990. It saw investors scurrying to find havens of high quality and low risk, as the Japanese stock market collapsed, Iraq invaded Kuwait, and some important economies slid into recession. Credit ratings, however, slipped under the strain of harsher economic conditions, making it harder to raise funds in the international capital markets. In international bank lending, it was also the year that saw a decade of easy credit come to an end, not with a bang but with a whimper. **Page 15**

Court ruling against Bond Corp

Bond Corporation's future is again in doubt, following a court decision to commit one of its subsidiaries into liquidation. The South Australian Supreme Court has reaffirmed earlier court orders placing J.N. Taylor Holdings in provisional liquidation. However, it has agreed to a further stay of the order until January 3, to allow three directors time to seek an appeal before the High Court. **Page 14**

LASMO takes out £100m loan

To help fund its continuing development plans in the North Sea, LASMO, the UK oil company, has raised a £100m loan from the European Investment Bank. The loan will be paid in dollars to finance LASMO's £650m share of total North Sea development costs in the next five years. **Page 14**

Lilleshall agrees £10.8m deal

Lilleshall, the UK industrial distribution and building products company, is to take over Brymill, an unquoted West Midlands group that withdrew from the steel industry last January. The recommended offer values Brymill at £10.8m. The deal is the largest and latest of a number of acquisitions since Mr John Leek, the former Hill Samuel banker, became chairman of Lilleshall three years ago. **Page 14**

Market Statistics

Companies in this section

Spotlight on Siemens' changing act

Ian Hargreaves and **David Goodhart** report on strategy at the German electronics group

Perhaps it was the arrival in Munich of the first heavy snows of winter which put Mr Hermann Franz in a meteorological mood. "It's not exactly comfortable here," said Siemens' chief corporate strategist, "in the storm of the world which comes from east and west."

The year's changes – the unification of Germany, the opening up of eastern Europe and the crisis in west Europe's electronics industry, epitomised by the difficulties at Philips – have come just when the company has overhauled its management structure and begun to introduce a more aggressive and flexible style into its 300 businesses, employing 350,000 people.

This new style has been much in evidence, notably in the absorption of Nixdorf, making Siemens Europe's number two computer maker behind IBM, and the takeover, with Britain's GEC, of Plessey. All of this comes against the background of tightening competition from Japan and the US and, on the company's own door-step, from European companies like ABB.

These circumstances have combined to train a fierce spotlight on Siemens, which finds itself cast as a prime force in unifying industrial Germany and as an increasingly lonely champion of European electronics. So how is the group dealing with these heavy responsibilities?

Events in the east, says Mr Andreas Zimmerman, a vice president, have not altered Siemens' westward-looking strategy, which is to become a global company with its core in Europe and a second leg in the US.

Nearly half of sales remain in Germany, with 75 per cent in western Europe and only 10 per cent in the US, a figure the company aims to double. Progress in penetrating the protected Japanese market, will continue to be slow, says Mr Zimmerman.

In the nearer east, Siemens is already the most active participant in the industrial development of eastern Germany; but the market is too small to alter the balance of the company's global strategy. In the rest of east Europe, Mr Zimmerman sees further scope for locally-based joint ventures in core products like telecommunications equipment and power plant, but not much opportunity for serious profitability. "The Soviet Union will be an interesting market in the long run. But in the next 10-15 years it won't be much of a market for exports, because of the shortage of hard currency." Any widening for the European Community into Poland, Hungary and Czechoslovakia is a question for the next century, he believes.

The core of the Siemens strategy is to narrow the range of its businesses in order to reduce the number of activities in which it does not have a sufficiently commanding position. According to Siemens, it is represented in 80 per cent of the whole spectrum of electrical and electronic capital goods markets (and claims to be in the top three or four in three-quarters of them), compared with only 71 per cent for Hitachi, 64 per cent for Toshiba, 52 per cent for GEC, 48 per cent for Philips and 28 per cent for General Electric. "Siemens is not too big, but its too broad," says Mr Franz. "We are smaller than IBM, but IBM is only in one segment."

This is the explanation behind the acquisition strategy – Plessey brings a deepening of presence in telecommunications and defence electronics, for example – and for a less remarked upon programme of disposals. In recent months, for example, Siemens has placed its office printer interests inside a 49-51 per cent joint venture with Mannesmann and merged its Hell printing business with Linotype. It is characteristic of Siemens to proceed by joint venture both in scaling down and scaling up. "The main criterion is that one of the partners has the leading part, clearly from the very beginning," says Dr Zimmerman.

The company is tactful about its well publicised difficulties in dealing with GEC, following the Plessey acquisition. "It's always a bit of a problem when you have two self-confident companies with very distinct cultures," says Mr Franz. "At Siemens we have long traditions and we are still very much a firm based on family traditions – it's rather paternalistic. At GEC that's different."

Mr Franz says the 40-60 per cent alliance with GEC on the GPT telecommunications company is "stable", although he stresses the technical agreement in the partnership, which is expected to work in Siemens' favour. Plessey represented a first toe in the water on hostile takeovers for the German company and, says Mr Franz, it may well be the last. "This is not an example for the future. It's not part of Siemens culture to make hostile takeover bids."

In computers, Siemens is preoccupied digesting Nixdorf and reluctant to make precise forecasts. "We do not yet know how many corpses we will find in the cellar," says Mr Franz. The aim is break even within two years and in the meantime there is no inclination to make further acquisitions in the troubled European computer scene. "Siemens alone is not able to solve the problems of the European computer industry," he says.

This sense of declining membership of the genuinely European computer and advanced electronics club is clearly something which troubles Siemens, although the company maintains that it retains faith in the regime of Brussels-co-ordinated research projects. Executives argue that Jessi – the project to develop advanced European semiconductors – will continue to flourish in spite of Philips's partial withdrawal. Indeed, Siemens shows no sign of flagging in its loss-making commitment to the chip business, fearing Japanese "blackmail" if it does give up. Its collaboration on a 64-megabit design with IBM represents an important transatlantic axis in the battle against Japan.

Mr Franz argues that Siemens' corporate virtues of patience, a deep pocket and a wide geographic reach are increasingly relevant to success in computers. "This is now a normal business, which follows normal rules. There is no glamour in it; no more high growth, no more high profit rate. Whenever a sector becomes a normal business, you get a shake out."

So far, however, there is not much sign of Siemens' increased vigour feeding through to the company's bottom line or its stock market performance. To the disappointment of some analysts, the management reorganisation has failed to produce property sales. But as part of its search for a new image, and reflecting more than 40 per cent foreign ownership of its shares, Siemens has increased sharply its dividend payments in recent years and is gradually becoming more financially transparent.

Last month, the company announced a modest 6 per cent improvement in 1989-90 earnings to DM1.67bn ($1.12bn), but still increased its dividend from DM12.5 to DM13 per share. The company remains cash-rich and its figures, conservatively presented, enable it to maintain a formidable R & D effort. This was worth DM6.9bn, or 11.2 per cent of sales, last year ans was second only to IBM in the electronics world, according to Dresdner Bank estimates.

In the last four years, much management effort has been expended to combine these stolid, long-sighted virtues with more entrepreneurial flair. Mr Franz acknowledges that there is still some way to go in this regard but does not apologise for the fact that most managers still come from an engineering background.

The company has also, rather spectacularly, revamped its approach to management rewards – more than 50 per cent of pay can now come from two separate incentive schemes – and to training. Any manager worth a place in the company's top 500 can expect to take part in a four-stage, 10-year cycle of training, which starts with basic problem-solving and graduates to "socio-political communication" and "intercultural interaction."

"We are making the company more transparent because we want to be able to compare ourselves with our competitors in the marketplace. It really was a problem that Siemens was seen as a giant, but that nobody knew his strengths and his weakness," says Dr. Franz. In the 1990s, with once secure home markets opened up, those strengths and weakness will be under unrelenting scrutiny.

Management System: Seven Core Statements

Strategy	Competitive Strength	Achieve and sustain leading positions world-wide
Identity	Progress	Technological, social and marketing competence focus on progress
Entrepreneurial Style	Will to Lead	Agree on clear objectives and vigorously transform them into competitive advantage
Managers	Entrepreneurship	Managers and employees think and act as if it were their own company
Executive Decision-Making	Speed	Faster decision-making through integrated business functions
New Organization	Close to the Customer	Market-oriented business functions create entrepreneurial freedom
Strength	Systems Integration	Integrate competitive products into problem-solving systems

Strategist Hermann Franz: More aggressive and flexible style for Siemens' management structure

French back TVS efforts to retain franchise

By Maggie Urry

BOARDROOM changes at TVS Entertainment are designed to give the television group the best possible chance of retaining the commercial television franchise for the south and south east England area, advisers to the company said yesterday. One said: "the company now has an excellent chance of retaining the franchise. I would not have said that a week ago". The application will be made in April.

The group has also won financial support from its two large French shareholders, Compagnie des Eaux and Canal Plus, which hold 19.4 per cent of TVS shares. These two will "take steps to ensure that TVS Television is both commercially and financially able to make a successful application" for the franchise, the group said. Strong financial backing is an important element in any application for a television franchise.

Mr James Gatward, is giving up his title of TVS chief executive in order to concentrate on running the TVS Television business, which operates the franchise. It was unease with Mr Gatward's management that sparked the boardroom reshuffle, agreed on Friday.

Mr Rudolph Agnew, former chairman of Consolidated Gold Fields, is joining as chairman, replacing Lord Boston who is leaving the company. Mr Agnew's particular role will be to sort out MTM Entertainment, the US television company which TVS bought for $320m (then £190m) in 1988 but which has since been a severe drain on TVS. He is to consider a variety of options including selling all or parts of MTM.

Mr Gatward was regarded as responsible for buying MTM and had been dividing his time between the UK and US to the detriment of the UK business. Ten days ago two non-executive directors, Baroness Sharples and Mr John Elton, resigned from the company. Mr Elton said yesterday that the two had independently reached the conclusion that they no longer had confidence in Mr Gatward.

Mr Gatward received a salary of £519,000 in the 14 months to end December 1989 and has a five-year contract with TVS.

Schroders, the group's merchant bank, is understood to have played an important role behind the scenes to effect the changes, because of fears among shareholders that the company would lose its franchise. Along with concern about MTM, this had depressed the share price, which closed at 75p on Friday.

Economics Notebook: Bundesbank policy

Merry Christmas and a fighting new year

LET US hope that Mr Karl Otto Pöhl, president of the Bundesbank, is having a good rest over Christmas. For next year, as one of his own officials puts it, is likely to be the most difficult ever in the history of the German central bank.

Mr Pöhl is destined for some furious rows with his own government over the speed at which Germany's enormous public sector deficits can be reduced. He may also be slugging it out with various foreigners. The European Monetary System, after four years of comparative calm and convergence, is heading for a turbulent 1991, as the costs (and the booming benefits) of German unity force an excessively restrictive monetary policy on recession-bound Britain and France.

The diverging priorities of the EMS's ruling economy from most of the rest, and the ability of the legally-independent Bundesbank to impose its anti-inflationary will regardless of pressure from London, Paris or even Bonn, is bound to cast a shadow over the EC's inter-governmental conference on monetary union.

To some it will underline the urgency of replacing the dictatorship of the Bundesbank with a European Central Bank which is required, in some form, to listen to member governments. To others, tension inside the EMS will show how foolish it is to abandon national currencies until a far higher degree of economic convergence has been reached.

Either way EMS squabbles will inject a note of realism into the deliberations. If that means slowing down progress towards a single currency it will be a cause for celebration at the Bundesbank and at the Bonn Finance Ministry. But the squabbles might also be a cause for embarrassment among German policy makers. Is it not the Bundesbank that has repeatedly lectured the rest of the world on the need *for stability? And is it not Germany's combination of tight monetary policy and lax fiscal policy that is now the cause of instability?* France, next year expected to have a lower inflation rate than Germany, has started giving the Bonn Finance Ministry tips on good-housekeeping.

German unity, however, is a unique event and "German Reaganomics", as many German economists are now calling the current policy regime, has its positive side. Thanks to the unity-induced boom in domestic demand Germany is finally playing the locomotive role that its partners were pleading for in the mid-1980s. Increased German imports, especially from the Benelux countries, act as a counter-balance to recession elsewhere.

The "price" for this locomotive role is interest rates a point or two higher than they would otherwise be. But the capital markets are taking a relatively calm view. Having pushed German bond rates up by two points to 9 per cent in February, the line has been held despite a steady leakage of bad news on the costs of unity.

The Bundesbank, and a large part of the German economics profession, is taking a less sanguine view and official rates are almost certainly heading up again in the New Year. Mr Heiner Flassbeck, economist at the DIW institute in Berlin, says: "The Bundesbank simply does not trust Bonn to get a grip on the budget problem."

The pre-Christmas negotiations in Bonn on finding the DM35bn (in savings or extra tax income) merely required to keep the overall deficit to DM150bn ($101bn) in 1991 were certainly not confidence inspiring. Mr Theo Waigel, Finance Minister, is toying with reducing pension contributions, raising unemployment insurance, cutting out old subsidies to west Berlin and the inner-German border region, cutting the defence budget, demanding more money from the Bundespost and raising various duties.

But there is no consensus within the coalition and no precedent for such cuts. If west German local authorities postponed half of their investment projects over the next five years that would release more than enough capital for the east. But democracy does not work like that. Mr Waigel will almost certainly have to raise taxes.

Privatisation, too, would be a psychological boost, argues Mr Hans-Peter Fröhlich, of the IDW in Cologne, although he concedes it would not help in the primary function of relieving pressure on the capital markets.

The report of the five leading economic institutes calculates the net burden on the capital markets from Germany's deficit in 1991 at about DM100bn, roughly the size of German capital exports last year.

However, the DM100bn figure does not include the planned borrowing of the Bundespost (DM10bn a year for seven years) and the Bundesbahn or the spending of the Treuhand, the trust body which owns east German industry. The latter could be spending DM30bn to DM40bn a year paying off old corporate debts and covering new ones.

If the economic take-off in east Germany continues as hesitantly as it has begun a DM100bn-plus figure per annum could be weighing down the markets and keeping interest rates high for several years to come.

The effect on the external balance will be dramatic. According to the BfG bank, the current account surplus (DM104bn last year) could be as low as DM30bn in 1991. Last *time it disappeared altogether,* in the early 1980s, the Bundesbank imposed what was then regarded as a brutal monetary regime. For that reason, among many others, an upward revaluation of the D-Mark in the EMS seems unlikely.

"We are in the Reagan phase," warns Mr Jörg Beyfuss of the IDW. "We must watch out that we don't reach the Bush phase." His colleague, Mr Fröhlich, adds: "Pressure from outside Germany would be helpful but it must be directed at Bonn's fiscal policy not at Frankfurt's monetary policy."

Gold reserves

Could Germany sell off some its gold reserves to help reduce the deficit? The rumour is greeted with a no comment at the Bundesbank, and the Finance Ministry denies that it has proposed to the central bank that it mints and sells off DM1bn worth of gold coins from the reserves.

The Bundesbank has just under 3,000 tonnes of gold with a book value of DM13.7bn but a market value of about DM60bn. Economists say selling off a significant chunk would be terribly damaging to confidence.

But over the past few years Canada and Belgium have sold off large slices of their reserves. The gold price is low but there is interest in bulk transactions from developing countries eager to switch out of dollars. Also the future European Central Bank is proposing that gold reserves be placed with it at current book value; an incentive to realise the market value before its too late. If the Bundesbank is going to be obstructive, the Finance Ministry can start by selling the 22 tonnes of gold which it acquired from the former East German state bank.

David Goodhart

Organic chemicals disposal by Schering

By Andrew Fisher in Frankfurt

SCHERING, the German pharmaceutical and chemicals company, is selling its Diamalt subsidiary, which makes organic chemicals for the food and agricultural industries. The disposal is being made because the business does not fit in with Schering's main activities.

The Munich-based subsidiary, turnover of which has risen this year to some DM175m ($117m) from the DM148m of 1989, is being bought by its management, a consulting company, and 3i, the UK finance group. The price has not been disclosed.

Diamalt has been making losses in recent years, though Schering has said it hopes the company will break even in 1990. It reported a DM15m profit for 1989, but this was because Schering covered its operating losses with an interest-free loan. Daimalt has 600 employees.

Schering said that Diamalt's business would remain intact as a result of the deal. It has been trying to sell the company since 1989 but could previously find no purchaser who was prepared to keep the whole business going. A few years ago it sold Nepfra, a US company which has a similar operation to Diamalt's.

Schering, which is based in Berlin, has been concentrating more and more on its pharmaceuticals operations in recent years and has also been looking for a partner for its agrichemicals business, after talks on a joint venture with Sandoz of Switzerland broke down in May. It reported a 15 per cent rise to net profits of DM202m in the first nine months of 1990.

Hardship ahead for marriage in the sky

Nikki Tait looks at the harsh realities of any merger deal between TWA and Pan Am

It may have been the weekend before Christmas, but the question of whether Trans World Airlines, the heavily indebted carrier controlled by corporate raider, Mr Carl Icahn, does a little last-minute shopping was still unanswered yesterday.

On Friday afternoon, Pan Am, one of the most cash-strapped of the American carriers, finally gave a conditional welcome to Mr Icahn's persistent merger advances. In a letter, Tom Plaskett, Pan Am's chairman, acknowledged that "given the state of the industry, the time is right for us to see if we can put together a proposal that can both win approval from our shareholders and have every likelihood of being consummated".

The decision was not taken easily, and contrasts with some analysts' expectations. Mr Icahn made his new merger proposal over a week ago, suggesting TWA bid $1.50 in cash with a further $1 nominal in preferred stock or promissory notes for its ailing target. If the preferred stock is taken at face value, that puts a $375m price tag on Pan Am.

But the Pan Am board only gathered on Wednesday, and it took a further 48 hours for Mr Plaskett to fax his letter to the New York-based financier. Moreover, Pan Am made clear that any deal with Mr Icahn would require TWA to provide "bridge finance" – that is, some form of temporary loan – to see it over the months that could elapse before a merger was consummated.

This is tricky. Pan Am, according to a recent estimate by Standard & Poor's, is facing a daily cash drain of around $2m. It has already debt (on balance sheet) estimated by analysts at some $1bn, and has been deferring payments to various creditors. Indeed, even as the TWA situation developed, the airline spent the weekend negotiating with Airbus over a $16m payment, originally due 10 days ago and then subject to a seven-day "grace period", now expired.

It is true that the sale of Pan Am's London routes to United is designed to bring in another $290m but, given the regulatory obstacles, the timing – even the certainty – of this payment is *not* guaranteed.

Its response appears to leave Mr Icahn playing a delicate

Carl Icahn: left playing a delicate hand

hand. In a *letter to* TWA employees on Friday, he acknowledged that Pan Am's response provided grounds for "continuing to evaluate financing", and the airline has had its lawyers working on a possible deal over the weekend.

But the financier has subsequently indicated that he would prefer Pan Am to file for Chapter 11 bankruptcy protection anyway. Such a move could give any new loan which TWA – or its banking backers – provided, a much better chance of repayment if a merger deal subsequently fell apart, or if Pan Am was liquidated.

That notion – together with the general state of negotiations – are not matters which the Pan Am camp is keen to discuss publicly. But there seems little doubt that the airline now believes the ball is back in Mr Icahn's court, and that for much of the weekend, direct discussions between the two parties have been relatively limited.

Certainly, nobody's options look appealing. In simple operating terms, analysts suggest that TWA needs Pan Am as much as the latter needs TWA. Assuming that TWA's proposed sale of its London routes to American Airlines gains regulatory approval at some stage, Mr Icahn – who became chairman of the loss-making carrier five years' ago – will have reduced the airline to a shadow of its former self. Essentially, it would take in a domestic hub at St Louis, a small hub in Paris, and some point-to-point route between the US and Europe. The Icahn era has meant minimal aircraft replacement, leaving TWA with the oldest fleet in the industry. And although asset sales have provided plenty of cash in hand, it also has debts (on balance sheet) of around $2.5bn.

Pan Am, on the other hand, retains a Frankfurt hub, which it had hoped to use as a focal point for growing east European traffic, and still owns its Latin American routes. With the help of a marketing agreement with United Airlines – improving the feed into its Miami hub – Pan Am had maintained that this could form the basis for a viable operation. Accordingly, it rejected advances from TWA earlier this autumn.

But, after five years of asset sales, Pan Am – in contrast to TWA – has only minimal cash on hand. Without the United payment, the chances of airline surviving the lean winter traffic period do not look good.

Asked whether the conditional acceptance of TWA's proposal was a forced move, Pan Am declined to comment. But if a marriage ever does come about, there could scarcely be a more destitute *bride and groom.*

London and NY Trust makes £6m rights issue

By Maggie Urry

LONDON AND New York Convertible Trust, an investment trust specialising in UK and US convertibles, is raising £6.2m through a rights issue, appointing new investment managers and changing its investment policy.

This will result in "considerably lower" dividends per share, the trust said, and a reduced degree of risk.

The trust was launched in December 1989 through a placing of 15m shares at 100p each. However, since then the convertible market in the UK, and to a lesser extent the US, has proved disappointing. The trust has underperformed the UK convertible market, and the weakness of the dollar has cut the value of its US assets. The shares closed on Friday at 46p.

As a result the trust is close to breaking the covenants on a dollar loan taken out at its launch and now amounting to £11.1m. The rights issue, a one-for-one at 44p, will raise shareholders funds to £13m.

Capital House Investment Management is to resign as manager and will be replaced by Foreign & Colonial Management, which is underwriting half the issue. After the rights Foreign & Colonial could have up to 28 per cent of the trusts' shares.

The investment policy will be widened to take in high yielding equities, and convertible securities issued in continental Europe and the Far East.

If shareholders approve the proposals at a special meeting on January 15, there will be a number of board changes and the trust will change its name to Foreign & Colonial High Income Trust.

LASMO raises £100m to help fund N Sea development

By Deborah Hargreaves

LASMO, the UK oil company, has raised a £100m loan from the European Investment Bank to help fund its continuing development plans in the North Sea.

The loan will be paid in dollars to finance LASMO's £650m share of total North Sea development costs in the next five years.

The financing comes on top of £325m in long-term funds raised by the company this year. The 12-year loan carries an interest rate of 8.75 per cent which is paid twice a year with repayment to start from the fifth year of its life.

The loan is supported by a letter of credit facility which has been provided by a syndicate of banks led by Westdeutsche Landesbank and including Bayerische Landesbank, BHF-Bank, DG Bank and Hessische Landesbank.

LASMO comes to the bank market as other oil companies are taking advantage of their current market strength to lock in long-term funding.

The company has already secured funds this year through a private placement of debt in the US market where it paid an average interest rate of 10.16 per cent on debt with maturities from 10 to 15 years.

It has also issued a £90m 15-year convertible bond with a coupon of 7.7 per cent and secured £75m of medium-term North Sea bank finance.

Lilleshall agrees £10.8m Brymill acquisition

LILLESHALL, the industrial distribution and building products company, is to take over Brymill, an unquoted West Midlands company that withdrew from the steel industry in January this year, in a recommended offer that values the company at £10.8m, writes Richard Gourlay.

The deal, which is subject to shareholders' approval, is the largest and latest of a number of acquisitions since Mr John Leek, the former Hill Samuel banker, became chairman three years ago.

Acceptances have been received from 62.5 per cent of the Brymill shareholders.

The former steel company now holds £6.5m in cash balances and owns the freehold on a 21 acre industrial estate in Tipton. It had net tangible assets of £9.48m in September and its properties had a book value of of over £3.1m.

Mr Leek said that the Brymill acquisition would substantially enlarge Lilleshall's capital base and increase the cash resources of the group.

"The next 12 months will provide greater opportunities for advantageous acquisitions for those companies such as Lilleshall which have a significant capital base and cash resources," he said.

The terms of the offer include 95p in cash with a loan note alternative and 205p in convertible redeemable preference shares of £1.

Lilleshall intends to sell Brymill's property portfolio when market conditions improve.

In the year to September 30 Brymill made pre-tax profits including income from investments of £1.13m on turnover of £0.9m. Rental from its properties exceed £500,000 a year.

Volvo president sees difficult two years

By Robert Taylor in Stockholm

VOLVO, the Swedish auto group and Scandinavia's largest private company, faces a difficult two years. However, its prospects in the longer term are more promising, Mr Christer Zetterberg, the group's new president and chief executive officer said yesterday.

He emphasised that despite the company's intention to grow and expand abroad, it would remain based in Sweden, where it has 70 per cent of its staff and 75 per cent of its assets.

"A very large number of vital questions for Swedish industry are moving at a pace and in a direction that is astonishing. Conditions to motivate industry have changed in a decisive way," he said, while pointing to the government's decision to apply shortly for membership of the European Community, the radical tax reforms that come into force next month, and cuts in welfare spending.

Mr Zetterberg's buoyant mood contrasts with the feeling last month when he announced a SKr193m ($34.6m) loss for Volvo in the first nine months, mainly due to a SKr2.45bn restructuring cost. Then, he was critical of Sweden's high cost and low productivity problem.

Volvo's third-quarter losses also reflected the recessionary impact on auto, truck and bus sales in the company's important US, British and Nordic markets, which account for 60 per cent of its total business. The Middle East crisis had added to the uncertainties, he said. However, he also saw signs that the fall in the demand for cars had reached its nadir.

Mr Zetterberg said demand in Germany for the Volvo 900 series was better than Volvo had experienced for its models in that difficult, competitive market. He also noted a rise in demand in south Korea and Japan.

He said the company's strategic alliance with the French auto maker Renault had a "potential through co-operation, greater than we believed when we went into it".

● Swedish investment group Proventus International said it had increased its stake in Britain's Transport Development Group to 14.6 per cent of share capital.

Proventus International said it had bought 5m shares, representing 3.8 per cent of the share capital, for an undisclosed sum. On August 27, the group said it had bought 10 per cent of the shares for SKr320m, making it the single largest owner.

Electrolux debt rating is lowered

ELECTROLUX, the Scandinavian consumer goods manufacturer, has had $1.1bn of outstanding long-term debt and commercial paper downgraded by Moody's Investors Service, the US credit rating agency, writes Simon London.

Moody's has lowered the company's long-term debt rating from A2 to A3. Commercial paper issued by its subsidiary White Consolidated Industries has been downgraded from Prime-1 to Prime-2.

Electrolux has pursued a strategy of growth through acquisition, making more than 200 acquisitions in the 1980s. Moody's said the downgrading reflected a likely erosion of earnings in key markets, including the US and UK, and continuing high debt levels.

■ Great Atlantic & Pacific Tea Company, the US supermarket group, has aborted plans to buy a 51 per cent stake in Warehouse Club, which operates a chain of discount outlets in the Mid West, writes Nikki Tait.

The deal envisaged that A&P would pay around $11m for the stake in the loss-making "warehouse club" operator. It would have marked A&P's first move into this high-growth segment of the US retail market.

■ Union Carbide, the US chemicals group, has agreed to sell its 50 per cent stake in KEMET Electronics for $235m to an investor group which includes the unit's management. The remaining 50 per cent is held by General Electric Capital and KEMET management, writes Karen Zagor.

The sale is expected to boost Union Carbide's fourth-quarter earnings by $29m or 21 cents a primary share. The move is part of a minor restructuring at Union Carbide, which is moving away from businesses which do not fit its strategy.

■ PLM, the Swedish group which is Europe's fifth largest producer of packaging, has awarded a more than FFr1bn ($198m) contract to Pechiney, the French aluminium and packaging company, to supply its plant at La Ciotat near Toulon, writes William Dawkins.

This makes Pechiney's plant at Neuf-Brisach in north-eastern France the main supplier of aluminium can stock to PLM's recently completed French plant.

Astra, Sweden's leading pharmaceutical company, has won the approval of the regulatory authorities in Japan for its antipeptic ulcer drug Losec in the short-term treatment of gastric and duodenal ulcers as well as reflux oesophagitis.

Court commits Bond arm into liquidation

By Tim Blue in Sydney

THE FUTURE of the Bond Corporation is again in doubt following a court decision to commit one of its subsidiaries into liquidation. An appeal to the High Court remains a possibility.

The full court of the South Australian Supreme Court reaffirmed earlier court orders placing the Bond Corp subsidiary J. N. Taylor Holdings in provisional liquidation. However, it agreed to a further stay of the order until January 3, to allow three company directors time to seek an appeal before the High Court.

Analysts says the order – if affected – will make any Bond Corp restructuring proposals more difficult to carry out. In a judgment handed down on Friday, the court rejected an appeal against the liquidation order from both J. N. Taylor and directors Alan Bond, Peter Mitchell and Antony Oates.

Chief Justice Len King said he did not regard an offer of the three directors to resign and a proposed replacement board as offering any protection to shareholders. He said it was in the interets of the company that provisional liquidators be appointed to examine what measures are available to preserve its assets.

Following Friday's judgment, counsel for the directors Mr Nick Swan asked for the order to be stayed again while he sought an appeal to the High Court. The court rejected Mr Swan's application, but granted the limited delay to allow further consideration of a longer stay by the High Court. The application for liquidation was made by 28 preference shareholders attempting to recover about A$277m (US$213m) in loans to Bond-related companies.

It is widely believed that the appointment could severely damage Mr Alan Bond's strenuous efforts to to save his company through a complicated debt restructuring. A provisional liquidator would be expected to pursue the A$277m funds owing to J. N. Taylor by Bond subsidiary Bond Corp Finance, and Mr Bond's family company Dallhold Investments.

Bond Corp owns 71 per cent of the ordinary shares in J. N. Taylor, while Bell Group, which is 70 per cent owned by Bond Corp, controls a further 28 per cent.

The loans owed to J. N. Taylor are in the form of A$96.6m owed by Mr Bond's family company Dallhold, and two loans of A$114m and A$66m to Bond Corp Finance.

Reorganised Ifico tumbles

THE YEAR to June 30 was "not an easy one" for Ifico, the commercial insurance broker, admitted Mr Jacques Delacave, its chairman.

Taxable profits plummeted from £2.17m to £493,000, though Mr Delacave was quick to point out that "any meaningful comparison between the two years was well nigh impossible", due to the fundamental changes to the company which took place over the 1989-1990 period.

He explained that rationalisation of the group's activities had been completed; the corporate finance and related activities side had been closed down; MBI Administration had been acquired; Farr Insurance Management (Life and Pensions) had been disposed of; and the litigation with CRC International Finance had been settled.

Turnover was drastically reduced at £1.91m (£11.51m), though continuing business was only down to £1.63m (£2.28m). Similarly, the pre-tax profits figure was warped by the fall to £32,000 (£1.25m) in business disposed of.

The attributable loss totalled £2.45m (£3.93m), after an extraordinary debit of £2.74m (£5.1m), in large part the costs of the CRCI litigation. Earnings fell to 1.14p (4.69p) and the final dividend is passed (0.5p).

Mr Delacave said that FMW International had been registered as a Lloyd's broker from September 1, enabling it to expand in a number of areas. Also he was optimistic over the potential for expansion at MBIA, both in the UK and and on the continent.

Adsteam group reveals total assets of A$1.7bn

THE ADSTEAM group has total net assets of A$1.7bn (US$1.3bn), arising from total assets of A$10.9bn and total liabilities of A$9.2bn, according to aggregated accounts released by Adelaide Steamship to the Australian Stock Exchange.

The balance sheet information, contained in letters to shareholders, also shows current liabilities of A$4.3bn. This is made up of A$2.4bn of borrowings, A$392.8m of provisions, and A$1.5bn of other debt.

Notes to the accounts show total shareholders' equity was A$1.6bn, representing the aggregated audited net assets of Adelaide Steamship, David Jones, Tooth and Co, National Consolidated, Petersville Sleigh and associated companies.

Aggregated assets included cash on hand of A$260.5m, receivables of A$1.3bn and inventories of A$2.4bn. Current assets totalled A$4.3bn, which included A$2bn of investments.

Notes to the aggregated accounts said the companies had about A$324m in "possible future benefits relating to tax losses" in addition to A$198.1m accounted as future income tax benefits. The group has accounted A$81m in provisions towards deferred income tax.

Adsteam said the accounts represented an aggregation of 1990 balance sheets of Adelaide Steamship, David Jones, National Consolidated, Petersville Sleigh, Industrial Equity and associated companies.

The letter, signed by Adelaide Steamship chairman Ken Russell, said the group was ahead of its assets sale program and this had "considerably" reduced debt within Adsteam and its associates since balance date. However, he warned that shareholders should expect some write-downs of asset values in the interim results.

Mr Russell also said the group incurred losses of A$181m in realising A$1.5bn in assets, with most of the losses due from the sale of the bank share portfolio. Those losses would be brought to account by the relevant companies this year, but he added that book value or better was achieved for most of the other assets.

LBMS falls £1.1m into loss of £618,000

Learmonth & Burchett Management Systems, the USM-quoted computer services group, reported a £1.13m turnround to pre-tax losses of £618,000 in the six months to October 31. Mr Rainer Burchett, chairman, said that for the first time in almost 20 years a general recession was having a severe effect on the IT industry.

The loss was worsened by exceptional rationalisation costs of £202,000 and greater development costs of £1.64m (£1.12m). Turnover rose to £9.64m (£8.03m). Losses per share were 3.4p (2.7p earnings) and, in view of the first half result and the general economic uncertainty, the interim dividend is halved to 0.4p.

Abbey Panels

Profits of Abbey Panels Investments, with interests in the motor, aerospace and defence industries, had a static year to end-September with profits rising by just £9,000 to £1.49m pre-tax.

Turnover totalled £18.08m (£15.76m). Earnings slipped to 34.81p (37.68p) but a proposed final dividend of 2p makes a same-again total of 3.5p.

Lex Service

Lex Service has sold SMT Dumfries, a Vauxhall and Citroen dealership, and Lex Carlisle, a Volkswagen Audi dealership. Lex will receive about £1.6m in cash for the premises and net assets less liabilities of the businesses.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Abbey Panels ......fin	2	Feb 22	2	3.5	3.5
Forminster ......int	3.475	Feb 15	3.025	-	10.22
Ifico ......fin	nil	-	0.5	nil	0.5
LBMS § ......int	0.4†	Feb 12	0.8	-	2.2
Shaftesbury ......fin	nil	-	1.5	nil	1.5
Waterglade Intl ......int	1	Jan 31	1.95	-	4.7

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock.

Ensor falls sharply to £331,000

Ensor Holdings, the Cheshire-based building products supplier, returned pre-tax profits of £331,000 in the six months to September, compared to £877,000 in the previous period amid serious weakening of demand in the sector, writes Richard Gourlay.

The recession had reduced turnover and eroded margins during the period and conditions were not expected to improve, Mr Brian Morgan, the chairman said.

"Although our cost base has already been reduced to maintain a competitive edge, some Government stimulation is urgently required to generate confidence and promote a resurgence in house building and general construction activity," Mr Morgan said.

The board is recommending a maintained dividend of 1.25p.

Sales fell 11 per cent to £26.2m and the interest charge rose £180,000 to £446,000. In the vehicle division sales held up well but Mr Morgan said the enquiry rate was falling off following a loss in confidence in an early reduction in interest rates.

Electricity shares

The Post Office said yesterday that it would do its utmost to deliver as many letters to electricity share applicants today as possible. It said it received another 530,000 letters for delivery over the weekend, taking the total to 12.3m. Those included returned cheques as well as successful allocations. However, not all letters would be delivered before Christmas, it said.

LAST WEEK'S CROSS-BORDER DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Digital Equipment Corp. (US)	Kienzle (Germany)	Computers	£122m	DEC's biggest non-US investment
Volkswagen (Germany)	SEAT (Spain)	Car-making	£110m	VW ups stake to 99.98 per cent
Generale de Banque (Belgium)	Banque Parisienne de Credit (France)	Banking	£99m	GB's first x-bdr deal
Hafslund Nycomed (Norway)	DAK Laboratoriet (Denmark)	Pharmaceuticals	£59m	Purchase via Danish subsid.
International Paper (US)	Papeteries Etienne + others	Paper and packaging	£55m	Non-strategic Georgia-Pacific units sold
Kerry Group (Ireland)	WL Miller/Robirch (UK)	Food	£26.5m	More Booker disposals
Pilkington (UK)/ Sandomierz (Poland)	Akener Fahrzeugglas (Germany)	Vehicle glass	£21m	Letter of intent signed
Societe Generale (Fr)/ Construction Bank of China/Shanghai Invest. and Trust	Associated Finance Shanghai (joint-venture)	Financial services	£10.5m	SocGen follows Sanwa lead
Fiat (Italy)/Ford (US)	Joint venture	Heavy vhehicles	N/A	80-20 split of ownership

Source: FT Mergers & Acquisitions International

The last full business week of the year saw a stream of deals, writes Brian Bollen.

The biggest was the purchase by US computer systems concern, Digital Equipment Corporation, of a majority stake in the computer business of Germany's Kienzle. Digital paid Mannesman DM350m for 65 per cent of a newly-formed partnership, its biggest investment to *date* outside the United States. The deal will continue its global thrust into the small and medium-sized business market, it said.

Germany's Volkswagen further illustrated its determination to remain one of the major players in the world's continually restructuring car industry. The increase of its stake in Spain's small car producer SEAT – completing a takeover begun in 1986 – comes hard on the heels of major strategic moves into eastern Europe, with Czechoslovakia's Skoda, and into the development of multi-purpose vehicles, with Ford.

There was a further instalment in the restructuring of Europe's financial services industry. Belgium's biggest bank, Generale de Banque, finally clinched its first major cross-border banking deal, more than a year after abandoning plans for full merger with Amsterdam-Rotterdam Bank of the Netherlands. Analysts liked the strategy behind the purchase of a 45 per cent stake in Banque Parisienne de Credit but questioned the price. They also wondered whether this was just an example of asset shuffling by BPC's cash-strapped parent Compagnie de Suez, a large indirect shareholder in Generale.

Fast-growing US forest products group International Paper made its second significant European purchase in just over a month, buying the French operations of Georgia-Pacific.

UK food producer, Booker, continued the disposals from Fitch Lovell, which it bought in September for £308m, selling WL Miller and Robirch to the Irish Republic's Kerry Group.

INTERNATIONAL CAPITAL MARKETS

FT WRITERS REVIEW A YEAR OF SLIDING VOLUMES AND UNCERTAINTY ON THE INTERNATIONAL BOND AND CREDIT MARKETS

Funds squeezed as recession bites

THE JAPANESE stock market collapsed, Iraq invaded Kuwait, and important economies slid into recession. Investors searched for havens of high quality and low risk, but credit ratings slipped under the strain of harsher economic conditions, making it harder to raise funds in the international capital markets in 1990.

New issue volume in the Eurobond market fell by a quarter, to under $160bn from last year's record $210bn, while profit margins for underwriters came under further pressure.

The most telling blow to profitability in the Eurobond market was the erosion of lucrative Japanese equity-linked business, as a result of the weakness of the Japanese stock market. The new issue volume of Eurodollar bonds with equity warrants attached slid to $18bn this year, from $63bn in 1989, according to the International Financing Review. Many firms suffered substantial trading losses when the Japanese stock market collapsed in February, and then again in August.

Investors were left with virtually worthless warrants, which they are unlikely to be able to exercise. The new issues market was suspended in March for three months, but was resilient enough to remain open after the stock market collapse triggered by the Iraqi invasion. This was largely because new paper was attractively priced, with much lower premiums than for older issues.

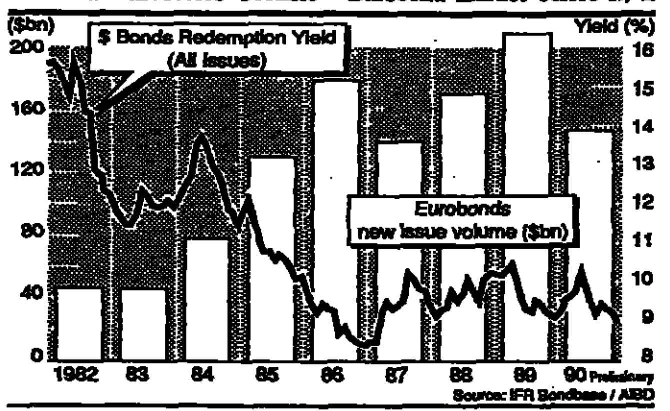
Low-cost funding, allowing little-known Japanese companies to tap the market cheaply and then to re-invest the proceeds in the stock market, has disappeared. Around two thirds of equity warrant paper is reckoned to be placed in Japan. Moves by the ministry of finance to improve the transparency of the secondary market for Japanese private investors seem likely to shift business to Tokyo.

In any case, Japanese investors can no longer be taken for granted in the Eurobond market; domestic interest rates have risen sharply and they are nervous about foreign currency exposure. The US dollar sector, which they used to underpin, has been one of the casualties. Dollar straight issues fell from $46bn to $27bn.

European retail investors are also changing their habits, increasingly channeling savings through investment funds. Retail investors are more likely than institutional funds to buy bonds at a level which is profitable for banks.

This trend was partly reflected in the fall-off of new issues in the Australian dollar sector – where high interest rates have long attracted small investors – down again from $6.8bn last year to $4.8bn.

German investors became



preoccupied with developments in their own economy, while investors in Switzerland, another mainstay in the Eurobond market, were less willing to buy bonds, as an inverted yield curve in the Swiss market enabled them to earn high rates by putting their money on deposit.

However, markets which are institutional are theoretically more actively traded, so what banks lose through less lucrative placement should be more than compensated by higher trading revenues. But trading volume was generally low, especially in the second half of the year, when the insecurity of the Gulf situation encouraged investors to concentrate on money market instruments.

Partly because the dollar sector shrank in importance, and European currencies grew, London was less obviously the centre of the Eurobond market. International banks shifted towards other European centres, and the line between Eurobonds, international and domestic bonds became more blurred than ever. The concept of the global bond became harder to realise, as paper tended to flow back to the US.

Technical factors also conspired against issuers and banks. Borrowers waited steadfastly during the first quarter for rates to fall, but instead they rose, and borrowers' funding targets became more elusive. As well as rising rates, borrowers had to contend with the erosion of swap opportunities. As a result, markets like the Australian dollar sector have shrunk in importance.

Global trading helped erode arbitrage opportunities in the swap market, which, like the Eurobond market before it, is becoming a commodity business, and earnings there too have shrunk.

However, while poor returns in 1990 mean that few bankers will be taking home big Christmas bonuses, there are signs that the market could be more profitable next year.

The difficult market conditions this year have forced borrowers to change their stance towards funding, and revise their targets – often expressed as a margin below the London interbank offered rate – sharply upwards. Issuers which were still demanding 50 basis points under Libor a year ago may be lucky to achieve 20 basis points. They are also being forced to compensate banks more adequately for their underwriting services.

The establishment of the fixed-price re-offer mechanism in 1989 as the standard method of launching sizeable transactions has helped restore profitability to areas of the new issues market, which often barely broke even in the past. The mechanism, based on US practice, sets a fixed level of fees for underwriting during initial placement.

Despite the downturn in new issue volume, few deals have been big loss-makers – and equally few very lucrative.

Some banks more than compensated for the lack of opportunities in the swaps market by focusing on the growing market for derivative products like options.

Meanwhile, growing pressure on banks to shore up their capital bases provided the impetus for securitisation of European assets. Although the market has yet to take off, the legal framework is now in place in a number of countries, and once a critical mass of issues has gathered, start-up costs should start to fall. Also, raising capital, through equity or subordinated debt issues, is likely to be difficult. The costs of issuing subordinated debt have already risen. The widening of spreads of variable-rate notes, to the limit of the fall-back rate in many cases, is likely to stymie issuance in that market.

In an increasingly credit-conscious environment, refinancing through securitisation may also prove more attractive for non-financial companies finding it difficult to gain access to the market in their own right.

Several markets grew substantially this year. Backed by further government issuance, the Ecu bond market became more widely traded by institutions, boosted by a range of benchmark offerings and new hedging instruments like Ecu future contracts. It is expected to grow further in 1991, with Belgium set to become the next sovereign with a benchmark issue.

A two-tier market, for institutional and retail investors, has now been established in the French franc sector of the Eurobond market, with a benchmark issue by Spain attracting a wave of fresh institutional investment. Issuance reached nearly $9bn, up from $4.6bn last year.

Above all, the economic recession is also a sign that bonds will regain favour among investors. Many fund managers who still have substantial funds in money market instruments are planning to switch into longer-dated instruments. While corporate Eurobond spreads for less than top quality names have widened in the wake of the Gulf crisis, most benchmark issues have performed quite well.

Tracy Corrigan

Easy credit gone with a whimper

A DECADE of easy credit has come to an end, not with a bang but with a whimper. The credit expansion has dried up without a final surge of interest rates, thereby purging the international financial system of its ills and preparing the ground for the next expansion, but far less dramatically.

It has left the world's banks weak and unable to raise capital, and many companies overborrowed. As a consequence, there are fears that conditions may not exist for banks to provide the funds to fuel the next economic expansion.

One phrase has dominated discussion over the last year in the financial markets: "credit crunch." A crunch, where some borrowers are denied credit at any price, was already evident before Saddam Hussein's army invaded Kuwait in August, but the Iraqi actions intensified the problem.

International banks are trying to maintain their ratios of capital to assets to meet internationally-agreed standards. Since many find it impossible or prohibitively expensive to raise capital, they are being forced either to limit growth of assets or even shrink their loan books.

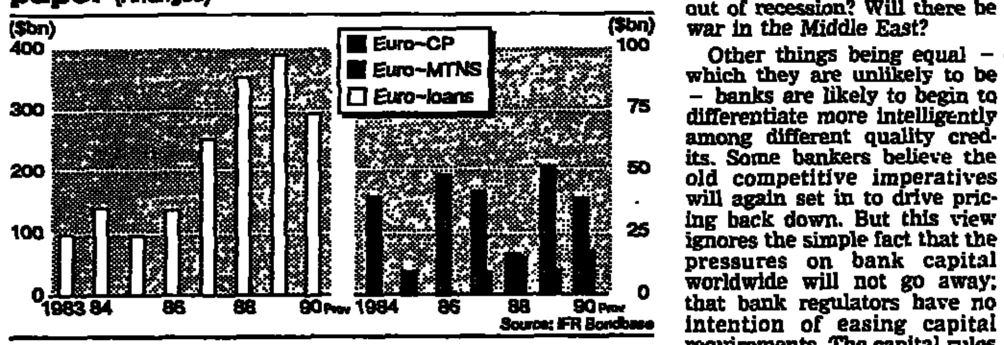
According to Salomon Brothers, the Wall Street securities house, US banks may be at their weakest since the 1930s. Even the apparently unassailable Japanese banks have been damaged by the collapse of the Tokyo stock market. After accounting for more than half of all new international lending in the late 1980s, the brakes on new lending by Japanese banks have been firmly applied.

British banks have shied away from some corporate lending because of worsening loan losses at home, while Arab banks, in which confidence was damaged by the Iraqi invasion, have battened down the hatches to preserve ready cash.

The impact has been most keenly felt on companies in countries most dependent on US and foreign banks. This seems to coincide with the main English-speaking countries in the developed world: the US, UK, Australia and Canada. Where corporate relationships with banks are tighter – for example in continental Europe and Japan – the credit crunch is less severe, even though companies there are traditionally more heavily indebted.

Most borrowers on the international markets have, however, noticed the difference. Even for the highest quality corporate credits, banks' lending margins have risen considerably over the past year. The development is obviously welcome to banks that have been for years making credit available to companies at margins which do not even cover their

Eurocredits, MTNS & Commercial paper (Arranged)



costs of capital.

It even holds out the prospect of banks making a profit on their corporate lending in the future. This change has already brought banks that have long ignored the international syndicated loan market back into the business. For example, the name of the Union Bank of Switzerland, for long absent as a lender in syndicated loans, has re-emerged.

Individually, however, many bankers are worried about the likely consequences of their collective action on their past lending. The time of an increasing number is taken up by "refinancings", "corporate support operations" or "workouts", a nerve-racking procedure where unanimous agreement among dozens of bank lenders must often be secured to bail out a troubled company.

Arguments between banks that believe they should be repaid and others that insist that their agreement depends on all lenders – whether formally committed to lend or not – almost always arise.

These arguments among lenders, which have forced the Bank of England to set out guidelines for helping troubled companies, have laid bare some of the careless assumptions made when companies negotiated financing agreements in the 1980s.

Borrowers have found that a large group of lenders can often spell trouble; the larger the number, the tougher it is to secure agreement among them. They have found that when they negotiated their so-called multiple-option facilities – consolidating all their financings into one cheaply-priced facility – they bought less than met the eye. When companies are under pressure, these facilities have often fallen apart.

Companies, and some banks too, have discovered the flaws in the concept of transactional banking, which often spelled an end to long-standing relationships between companies and their bankers. This has meant some companies can rely on little support from banks, and many bank lenders have only minimal knowledge about their customers.

Another potential problem in debt restructurings is the now common practice of selling corporate loans to other financial institutions through the secondary market. Apart from the unanswered legal questions that could arise in restructurings, the practice encourages a proliferation of lenders. A company may often find that an ostensibly large lender in a loan syndication is not after all, having sold its participation to others.

The year has seen big corporate loan portfolios hawked around the market, in particular by Arab, US and British banks. Some have been offered at a discount, reflecting the higher margins now paid by companies to secure funds. This provides a mechanism, analogous to the bond market, whereby bank attitudes to companies' debt can be reflected in pricing in the new loans market. It may be, though, that causation at this stage moves the other way, with the primary market governing secondary pricing.

For the year ahead, the central question for the outlook for bank lending concerns the economic backdrop: will the recessions in the Anglo-Saxon economies be short and mild or long and deep? Will Japan and Germany be efficient locomotives to pull these countries out of recession? Will there be war in the Middle East?

Other things being equal – which they are unlikely to be – banks are likely to begin to differentiate more intelligently among different quality credits. Some bankers believe the old competitive imperatives will again set in to drive pricing back down. But this view ignores the simple fact that the pressures on bank capital worldwide will not go away; that bank regulators have no intention of easing capital requirements. The capital rules are already doing what they were intended to do: forcing banks to think more clearly about the risks of allowing others to use their balance sheets. This should encourage them to develop more sophisticated assessments of risk versus return. An era of cheap bank financing for companies has thus drawn to a close.

Other sources of financing have dried up for some companies and become more expensive for others. The world's commercial paper markets, for example, have weeded out the lower quality borrowers. In some markets, there has been a withdrawal of intermediaries because of the thin rewards.

Perhaps encouragingly, after the troubles of 1989, there have been relatively few instances of significant defaults. But the whole business, to use the language of advertising, is moving "up market" and is only reliably available for better credits. This may be good for the market, but it provides little comfort for the medium-sized companies, which are now even more dependent for credit on the whims of their often capricious bankers.

Stephen Fidler

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

No respite for bond traders' nerves

ALTHOUGH the Federal Reserve gave the bond market an early Christmas last week in the shape of Tuesday's discount rate cut, the economic fundamentals and the Gulf crisis are likely to cast a cloud over Wall Street's Yuletide celebrations.

If the reality of a recession and the possibility of war in the Middle East were not enough for the money markets to worry about, the deepening crisis in the Soviet Union is beginning to unnerve bond traders, both in the US and across the world.

The shock resignation on Thursday of Mr Eduard Shevardnadze, the Soviet foreign minister, and his warning that "dictatorship was coming" in the Soviet Union, upset international bond markets, and raised the spectre of a return to authoritarian communist rule.

Bond prices fell in response to Mr Shevardnadze's departure for several reasons: financial markets do not like international political uncertainty; upheavals in the Soviet Union could disrupt world trade and Soviet oil supplies; and any threat to the leadership of Mr Mikhail Gorbachev could undermine the credibility of the allied forces ranged against Iraq in the Gulf and add to an already complex and difficult situation.

Yet perhaps the main reason why bond dealers decided to sell on Mr Shevardnadze's resignation was the fear that chaos in the Soviet Union could lead to a flood of refugees into western Europe, forcing European governments to borrow more on the international credit markets to fund the absorption of fleeing Soviet citizens. This would create inflationary pressures and push interest rates higher.

This reasoning – and receding hopes of a peaceful resolution to the Gulf crisis – explains why the benchmark 30-year US Treasury bond ended a week in which the Fed cut both the discount rate and the Federal funds rate on a markedly easier note. The 1¼ point jump in the long bond immediately after the discount rate cut was completely wiped out by subsequent developments, leaving the 30-year issue almost a point lower on the week.

The decision by the Fed to lower the discount rate – the interest rate it charges on its loans to banks – by 50 basis points to 6.5 per cent was not in itself a surprise, but the timing of the move was.

The announcement of a change in the discount rate is usually delayed until after the financial markets close, but on Tuesday the Fed took the unusual step of revealing the cut half an hour before the end of trading. Taken alongside the subsequent reduction on Thursday in the Fed's target for the Federal funds rate to 7 per cent, it is evident the monetary authorities are increasingly worried about the state of the US economy.

The depth of this concern is revealed by the minutes of the Federal Open Market Committee meeting on November 13, which were published on Friday. The 11 members of the FOMC – the key policy-making body of the Fed – unanimously agreed to a further easing of monetary policy; at previous meetings there had always been dissenting voices belonging to members who believed that further reductions in short-term interest rates could undermine the Fed's fight against inflation.

The reason why the inflation hawks have come to accept the case for further easing is that there has been no sign of a resurgence of inflationary pressures accompanying the string of poor economic statistics released in recent weeks.

Tuesday's figure of a seasonally-adjusted 0.3 per cent rise in consumer prices during November was in line with market expectations and confirmed that lessening the severity of the recession rather than fighting inflation should be the Fed's number one priority.

However, the relative good news on prices cannot disguise the unhappy state of the economy and the difficulties faced by US companies in raising money in tight credit markets. As the minutes of the FOMC said: "The growing signs of a softening economy, the related vulnerability of many business and financial firms to added financial strains, and the increased reluctance of institutional lenders to accommodate less than prime business borrowers suggested that the committee should remain especially alert during the weeks ahead to signals that some further easing was appropriate."

The cut in the discount rate should lead to lower bank interest rates. Until now, banks have been reluctant to follow cheaper Fed funds with prime rate reductions because pressures on earnings, liquidity and capital have forced them to keep spreads as wide as possible for as long as possible.

Although only one big bank, First National Bank of Chicago, decided to take the Fed's lead last week and reduce its prime rate (the rate at which it makes short-term loans to customers), most money centre banks are expected to pass on the lower cost of funds to borrowers soon, possibly as early as this week.

Patrick Harverson

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	7.13	7.19	7.50	9.92	7.06
Three-month Treasury bills	6.73	7.06	7.23	9.11	6.73
Six-month Treasury bills	6.91	7.07	7.31	9.37	6.91
Three-month prime CDs	7.95	7.80	7.95	10.35	7.65
30-day Commercial Paper	8.80	7.75	7.70	9.95	7.70
90-day Commercial Paper	8.05	7.50	7.83	10.05	7.50

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	103[illegible]	[illegible]	8.02	7.95	8.14
20-year Treasury	109[illegible]	[illegible]	8.28	8.18	8.46
30-year Treasury	105[illegible]	-1[illegible]	8.28	8.18	8.44

Money supply: In the week ended December 3 M1 fell $200m to $818.8bn.

UK GILTS

Prices bubble big enough to burst

CAN gilt-edged securities keep up their run of higher prices? Or is the bubble about to burst?

These questions occupy participants in the government bond markets as 1990 draws to a close.

Over the last six weeks, the trend of yields for UK gilt-edged government bonds has been steadily downwards, indicating an upturn in prices, as wave after wave of economic evidence has pointed to a deep recession.

This upward drift in the market – caused by the perception that inflationary forces are being squeezed out of the economy and that UK interest rates will start to come down early next year – was interrupted last week.

Gilt yields rose, with a decrease in prices, mainly due to the impact of the surprise resignation of Mr Eduard Shevardnadze, the Soviet foreign minister. Reflecting this, on Friday night the benchmark Treasury 9 per cent bond maturing in 2008 was quoted at 89¾, roughly a point down on the previous week.

The halt in the rise in gilt prices, however, cannot disguise the good performance of gilts for the year in relation to the other main government bonds.

All these securities, as the table shows, have seen the same pattern during the year of a rise in yields, with a corresponding fall in prices. During 1990, gilt-edged securities saw a smaller yield increase than did the other major government bond issues, with the exception of US Treasury stock.

The worst performing bonds on the basis of yields were German bunds. Investors have avoided these stocks, especially since the summer, because of nervousness about the way that German reunification could lead to an overheated economy and rising prices.

But more recent shifts in the bond market – since the peaks in yields of all the government securities around the middle of the year – have had the biggest impact on investor perceptions.

The table illustrates the size of the upturn in prices – expressed in a driving down of yields – since their respective peaks. Although circumstances in the different countries varied in detail, all these high points in yields were caused by inflationary worries or the specific impact on investor confidence of the onset of the Gulf crisis in August.

Since the peaks for each government security in terms of yields, however, the performance of gilts has been better than for the other main bonds.

Gilt yields peaked at the end of April, reflecting increased prospects of increasing inflation and worries about the UK economy. Another factor was what seemed to be the poor outlook for the government after the introduction of the unpopular poll tax. Since then, yields for 10-year bonds have come down by 215 basis points, or more than 2 percentage points. The next best performer in terms of yields was US bonds, where yields came down by just 111 basis points.

Several factors were behind the good run for gilts, including recessionary indications which were stronger in the UK than in the other main economies, with the exception of the US. Also, the long period of speculation about whether the UK might join the European exchange rate mechanism – which culminated in ERM entry on October 8 – boosted sterling, leading to higher gilt prices.

How long will the upward drift in gilt prices last? Mr Malcolm Roberts, an economist at UBS Phillips & Drew, thinks gilt yields will continue to dip for a few months. He believes that, after this, any possibility of yields increasing towards the end of the year might be lessened by the reduction in the UK's inflationary prospects due to the effects of ERM membership.

Mr John Shepperd, an economist at Warburg Securities, is less sanguine about gilt yields. He thinks that gilts may be showing signs of becoming over-priced relative to other European bonds. A return by the government to issuing gilts in the next few months could lead to a glut of securities on the market, which might further depress prices.

Of importance is the date that Mr Norman Lamont, the chancellor, will pick to risk cutting the 14 per cent base rate to restore growth in the battered UK economy. He is restrained from doing so by sterling's weak position in the ERM. Mr Mark Cliffe, an analyst at Nomura Research Institute, says Mr Lamont is likely to resist easing borrowing conditions until January or February. "He will have to spell out his firmness about not cutting rates until the pound improves. That is the only way he can massage sterling upwards to make a rate reduction possible."

Peter Marsh

GOVERNMENT BOND PERFORMANCE 1990

Government bond	Yields (%): End 1989	Peak	Dec 20, 1990	Change on year (basis points)	Change since peak (basis points)
UK	10.89	13.27*	11.12	+23	-215
US	8.05	9.31**	8.20	+15	-111
Japan	5.65	7.73#	6.79	+114	-94
Germany	7.27	9.11##	8.86	+159	-25
France	9.37	10.74&	9.96	+59	-78

Note: Figures apply to benchmark 10-year bonds with yields expressed in annual terms.
Key: *April 30; **May 2; # August 28; ## October 15; & September 24

Source: UBS Phillips & Drew

Swiss bank sees jobs reduction of up to 5%

By William Dullforce in Geneva

SWISS BANK Corporation (SBC) said the 5.5 per cent ceiling it had set for the increase in total costs next year would call for a reduction of between 2 and 5 per cent in the number of people it employs in Switzerland.

Although the bank aimed to keep overall employment abroad at present levels, fluctuations might occur in particular foreign centres.

SBC in Basle would not confirm reports in Swiss newspapers that 500 jobs would disappear in Switzerland during 1991. Already this year, 317 of the 16,017 posts planned for had remained unfilled and might be counted against the cuts needed next year.

But, the bank said, the 17 profit centres operating in Switzerland had submitted budgets for 1991, averaging an increase of more than 10 per cent in overall costs. The executive board had instructed them to keep cost increases to 5.5 per cent, which would suggest that the number of personnel would have to fall by between 2 and 5 per cent.

With an annual staff turnover rate of 15 per cent in recent years, a reduction of this size might not call for staff to be dismissed.

SBC, Switzerland's second biggest commercial bank, reported a 13 per cent decline in cash flow during the first nine months of 1990, but didn't give figures. In 1989, the bank posted a cash flow of SFr1.44bn ($1.13bn) and a net profit of SFr749m.

Union Bank of Switzerland, the biggest bank, said earlier this year it would not increase staff beyond the limit reached in the third quarter. Credit Suisse, the third biggest, has not indicated any ceiling. However, Mr Robert Jeker, president, said he foresaw a decline of between 10 and 20 per cent in banking personnel over the next five years.

FT/AIBD INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHT	Issued	Bid price	Chg on week	Yield
ABBEY NATIONAL 8 7/8 93	150	100¾		8.46
ABN 9 1/8 94	200	101¼		8.68
AETNA LIFE & CAS 7 3/4 16	200	97¾		7.95
ALBERTA PROVINCE 8 5/8 96	750	99¾	+⅛	8.65
ALBERTA PROVINCE 9 3/8 95	600	103¾		8.48
AMERICAN EXPRESS 0 00	450	39¾		9.86
AMERICAN GENERAL 9 3/4 95	100	94¼	+¼	11.41
ANHEUSER-BUSCH 9 1/8 92	100	101¼		8.35
ASIAN DEV BANK 0 04	1000	30¼	-⅛	9.13
AUSTRALIA 11 95	200	108¼	-¼	8.68
AUSTRALIAN WHEAT 9 1/2 93	200	102¼		8.42
AUSTRIA 7 3/4 97	200	96	-⅛	8.60
AUSTRIA 8 1/2 00	400	98¼	-⅛	8.78
AUSTRIA 9 5/8 93	140	103¼	+⅛	8.02
BANK OF TOKYO 8 3/8 96	100	97¾	+⅛	8.94
BARCLAYS JERSEY 10 5/8 95	250	107¼		8.77
BELGIUM 8 97	300	96¾		8.67
BELGIUM 9 1/8 92	400	101⅝		8.04
BELGIUM 9.2 10	500	102	-⅛	8.97
BELGIUM 9 5/8 98	250	104¼	-⅛	8.83
BELLSOUTH CAP FUND 9 1/4 95	120	102¾	+⅛	8.07
BETAWEST PROP 7 3/4 93	150	96¾	+⅛	9.19
BFCE 7 1/4 93	100	98¼	+⅛	8.04
BFCE 7 3/4 97	150	96¼		8.57
BNP 8 3/4 93	125	100¼	-⅛	8.65
BNP 8 5/8 94	300	101		8.27
BOOTS 9 97	175	98¼	-⅛	9.28
BP AMERICA 9 3/4 99	250	102¼	-¼	9.24
BP CAPITAL 9 5/8 93	150	102¼		8.38
BRIT COL HYDRO 11 3/4 93	200	107¼		8.51
BRITISH GAS 8 3/8 99	350	96¼	-⅛	8.89
BRITISH TELECOM FIN 8 3/4 99	200	99¼	-¼	8.88
BRITISH TELECOM FIN 9 3/8 98	250	102¼	-⅛	8.87
CAISSE NAT ENERGIE 11 3/4 95	125	110¼	+⅛	8.57
CAMPBELL SOUP 10 1/2 95	100	103		9.65
CANADA 9 96	1000	103		8.25
CANADA 10 95	500	106¼		8.39
CANADIAN PACIFIC 7 1/2 96	100	92¾	-⅛	9.28
CARCO 9 1/4 96	650	98¾	+⅛	9.55
CATERPILLAR FIN SERV 0 94	140	75¾	+¼	9.19
CCCE 8 3/4 99	200	99¾	-⅛	8.80
CCCE 9 1/4 95	300	103	+⅛	8.36
CENTRUST SAVINGS 0 10	1200	11½	-⅛	11.89
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SASKATCHEWAN 15 92	150	109¼	+⅛	8.34
SBAB 9 1/2 95	500	103¼	+⅛	8.53
SEAGRAM CO 8 1/2 96	100	96		9.47
SEARS O/S FIN 0 98	500	46¾		10.54
SEARS O/S FIN 11 5/8 93	150	103¾	-⅛	9.94
SKANDIA INTL 7 1/4 92	200	98½	-⅛	8.57
SNCF 7 1/4 94	175	97¾	+⅛	8.09
SNCF 9 1/2 98	150	103¾	-⅛	8.76
STATE BK STH AUST 9 1/4 93	100	101½		8.43
STATE EL VICTORIA 10 92	100	102½	+⅛	8.32
STATOIL 7 5/8 94	200	96½		8.93
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid price	Chg on week	Yield
ASIAN DEV BANK 6 10	100	82¼		7.75
AUSTRIA 4 5/8 98	100	86	-⅛	7.20
CHUJITSUYA 7 3/4 95	90	102	+½	7.22
COUNCIL EUROPE 4 3/4 98	250	84¼	-½	7.59
EEC 5 1/2 00	100	87		7.39
EIB 5 3/4 93	100	96½	-½	7.14
FINLAND 5 3/8 95	150	94½	+¼	6.74
GENERAL MOTORS 7 1/2 95	100	101¼	+1	7.14
JAPAN DEV BK 5 1/2 94	100	96¼	+¼	6.68
MOUNT ISA FINANCE 5 3/4 94	100	88	+¼	10.09
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

£50m orders for Lilley companies

LILLEY has been awarded contracts totalling £50m during October and November.

Lilley Construction received orders for £24.4m, including two reinforced concrete substructure packages at the new Toyota car manufacturing plant in Derby, which were awarded to the Birmingham-based Midlands office.

In addition the other Scottish and north of England operations - Eden Construction, MDW, Robison and Davidson and Piper Buildings - received contracts worth £18.8m.

The Midlands and south of England operations - the Standen Group, Henry Jones and the Hatfield Group - were awarded £6.8m of orders.

Superstore for Wells

COSTAIN CONSTRUCTION, a subsidiary of Costain E & C, has been awarded a £5.2m contract by Tesco Stores for the construction of a superstore in Wells, Somerset.

In addition to the main sales area, the 3,700 sq metre store will have a bakery, wine off-licence, public toilets, storage area and preparation rooms.

The predominantly single-storey building will have concrete pad foundations. The steel frame will be completed featuring multi-red rustic brickwork externally and insulated cavity walls with fair-faced blockwork internally.

The contract includes landscaping, provision of external services and a car park for 425 vehicles.

Costain Construction has also won a £4m subcontract by Shimizu (UK) for the construction of a five-storey office building in Old Bond Street, London.

West End offices

Building and refurbishment specialist, HOLLOWAY WHITE ALLOM, has landed a brace of contracts worth £9.8m.

The first is an £8.7m contract awarded by the Co-Operative Insurance Society to build offices behind the retained facade of 85-87 Jermyn Street in London's Piccadilly.

The facade will be the last surviving structure from a series of buildings constructed in the 1680s on land granted by the Crown to Mr Henry Jermyn.

New construction behind the facade involves piled foundations, a steel frame with precast concrete floor slabs, brick outer walls and timber framed windows plus internal finishings. The contract, due for completion in July 1992, also includes three shop units.

St. Thomas' Hospital in Lambeth Palace Road has awarded a £1m contract to refurbish the governors' hall and adjacent rooms. This will involve replacing panelling, repairing windows, installing lifts and air conditioning and fitting out for audio-visual presentations. Work should be completed by July next year.

CONTRACTS

Lesotho project

A map of proposed water development scheme in Lesotho

Lesotho Highlands Development Authority has awarded a £230m contract to the joint venture partnership of BALFOUR BEATTY, SPIE BATIGNOLLES, CAMPENON BERNARD, LTA and ED ZUBLIN, for all the tunnelling work in Phase 1A of the Lesotho highlands water project.

The contract includes the construction of over 65 kilometres of tunnels and associated shafts, together with above and below ground structures. The value of the 69-month contract to Balfour Beatty is £43m.

The £230m joint venture contract forms part of a £500m scheme. When completed it will provide revenue to Lesotho by transferring surplus water from the catchment of the Sengu river in Lesotho to meet the growing demand for water in major South African industrial and population centres to the north of Lesotho.

The funding of the first phase of the project has been arranged by concessionary bilateral credits together with commercial loans. In addition to the technical expertise of the joint venture companies, an attractive financial package helped secure the award of the contract.

The Lesotho Highlands Project Contractors joint venture will excavate the tunnels with full face boring machines (57,000 metres) and by drill and blast methods (8,000 metres). Ten ventilation shafts, an 80 metre high intake tower, intake shaft and gates, and temporary works such as camp facilities are also part of the contract.

Trafalgar House active

Companies in the construction division of TRAFALGAR HOUSE have been awarded contracts worth over £20m.

At Peterborough Court, EC4, Trollope & Colls City has started fitting out the third and fourth floors, totalling 6,250 sq metres. The two-stage design and build contract, awarded by Touche Ross & Co. is worth about £4.5m and is due for completion in April 1991.

Rashleigh Phipps has been awarded a £5.3m contrac at The Buttermarket Shopping Centre in Ipswich by Legal & General Property. The contract involves the complete design and installation of electrical, mechanical and public health services throughout the 270,000 sq ft shopping centre and basement car park. Work is due for completion in autumn 1992.

Cementation International, in joint venture with its two American partners, has been awarded a further contract by the Department of the Navy of the United States Government for work at Diego Garcia, an island in the Indian Ocean where the US Navy has a strategic support base.

The £500,000 contract is additional to the total base operating services contract awarded to the joint venture two years ago and includes reconstruction of fuel containment and a transfer pump station together with repair and maintenance works.

Clark & Fenn has been awarded three contracts worth £8.2m - the first, a £5.5m contract awarded by Laing for the PSA, is at the British Library and involves fibrous plasterwork and ceilings to a large entrance area, offices and the rare books reading room.

Shopping centre upgrade

Major refurbishment of a shopping centre is included in projects worth about £18m awarded to TARMAC CONSTRUCTION.

Heading the list is a contract worth nearly £7m for work at St. Nicholas Arcades in Great John Street, Lancaster. It involves major refurbishment and a two-storey concrete frame building incorporating 10 additional shops.

Work on the project, for Burwood House Developments, starts shortly and is due for completion at the end of the end of next year.

Large contracts also include building four-storey offices in Lambpit Street, Wrexham for Wrexham Maelor Borough Council (£3.7m); designing and building one and two-storey buildings, adaption and external works at Kings Manor School, Shoreham-by-Sea, Sussex, for West Sussex County Council (£2.6m); and an office development with basement car park in Union Road, Farnham, Hampshire, for George Longdon Estates (£1.9m).

Other projects are for building a food store with parking facilities in Oldham Road, Ashton-under-Lyne, Lancashire for Aldi Food Stores (£770,000) and demolishing a building and constructing a new depot in Wilson Road, Huyton, Merseyside for A.T.S. (£301,000).

The company has two contracts for refurbishing premises for Trustee Savings Bank - at Buxton (£280,000) and Blackburn (£252,000). Projects awarded to the contract housing division include a £923,000 contract for building homes and bungalows and converting flats into houses at Kirkby, Liverpool for Liver Housing Association.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, December 21, 1990. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	52.5827	34.4618	38.8074
Albania	(Lek)	10.0920	5.3467	3.5041	3.946
Algeria	(Dinar)	21.8950	11.6	7.6024	8.561
Andorra	(Fr Fr)	9.7975	5.1907	3.4019	3.8308
	(Sp Peseta)	184.05	97.5099	63.9062	71.9648
Angola	(Kwanza)	58.8125	31.1589	20.421	22.996
Antigua	(E Carr $)	5.13	2.7178	1.7812	2.0058
Argentina	(Austral)	9396.05	4978.04	3262.52	3673.92
Aruba	(Florin)	3.4019	1.8023	1.1812	1.3301
Australia	(Aus $)	2.4385	1.2919	0.8467	0.9534
Austria	(Schilling)	20.265	10.7364	7.0364	7.9237
Azores	(Port Escudo)	256.30	135.788	88.993	100.215
Bahamas	(Bahama $)	1.8875	1	0.6553	0.738
Bahrain	(Dinar)	0.7154	0.379	0.2484	0.2797
Balearic Is	(Sp Peseta)	184.05	97.5099	63.9062	71.9648
Bangladesh	(Taka)	66.50	35.2317	23.0902	26.0019
Barbados	(Barb $)	3.8225	2.0251	1.3272	1.4946
Belgium	(Belg Fr)	59.55	31.5496	20.677	23.2844
Belize	(B $)	3.8010	2.0137	1.3197	1.4862
Benin	(CFA Fr)	489.88	259.539	170.097	191.546
Bermuda	(Bermudian $)	1.8875	1	0.6553	0.738
Bhutan	(Ngultrum)	34.50	18.2781	11.9791	13.4897
Bolivia	(Boliviano)	6.4047	3.3932	2.2238	2.5042
Botswana	(Pula)	3.5230	1.8664	1.2232	1.3775
Brazil	(Cruzeiro)	300.47	159.189	104.33	117.486
Brunei	(Brunei $)	3.2823	1.7389	1.1396	1.2834
Bulgaria	(Lev)	5.3665	2.8431	1.8633	2.0983
Burkino Faso	(CFA Fr)	486.88	257.95	169.056	190.373
Burma	(Kyat)	11.578	6.134	4.0201	4.527
Burundi	(Burundi Fr)	313.50	166.093	108.854	122.581
Cambodia	(Riel)	868.25	460	301.476	339.492
Cameroon	(CFA Fr)	489.88	259.539	170.097	191.546
Canada	(Canadian $)	2.1850	1.1576	0.7586	0.8543
Canary Is	(Sp Peseta)	184.05	97.5099	63.9062	71.9648
Cp. Verde	(CV Escudo)	123.8176	65.5987	42.9922	48.4135
Cayman Is	(CI $)	1.5774	0.8357	0.5477	0.6167
Cent.Afr. Rep	(CFA Fr)	489.88	259.539	170.097	191.546
Chad	(CFA Fr)	489.88	259.539	170.097	191.546
Chile	(Chilean Peso)	624.89	331.068	216.976	244.336
China	(Renminbi Yuan)	9.8880	5.2386	3.4333	3.8662
Colombia	(Col Peso)	1043.21	552.694	362.226	407.902
Comoros	(CFA Fr)	489.88	259.539	170.097	191.546
Congo (Brazz)	(CFA Fr)	489.88	259.539	170.097	191.546
Costa Rica	(Colon)	195.7515	103.709	67.9692	76.5401
Côte d'Ivoire	(CFA Fr)	489.88	259.539	170.097	191.546
Cuba	(Cuban Peso)	1.5137	0.8019	0.5255	0.5918
Cyprus	(Cyprus £)	0.8230	0.436	0.2857	0.3217
Czechoslovakia	(Koruna)	45.68c	24.2013	15.8611	17.8611
		59.24t	31.3854	20.5694	23.1632
Denmark	(Danish Kroner)	11.1075	5.8847	3.8567	4.3431
Djibouti Rep	(Djib Fr)	330.00	174.834	114.583	129.032
Dominica	(E Carrib $)	5.13	2.7178	1.7812	2.0058
Dominican Rep	(D Peso)	21.2856	11.2771	7.3908	8.3228
Ecuador	(Sucre)	1658.00o	878.411	575.694	648.289
		1617.16a	856.774	561.514	632.321
Egypt	(Egyptian £)	5.500	2.9139	1.9097	2.1505
El Salvador	(Colon)	11.9970	6.356	4.1656	4.6909
Equat'l Guinea	(CFA Fr)	489.88	259.539	170.097	191.546
Ethiopia	(Ethiopian Birr)	3.8626	2.0464	1.3411	1.5103
Falkland Is	(Falk £)	1.00	0.5298	0.3472	0.391
Faroe Is	(Danish Kroner)	11.1075	5.8847	3.8567	4.3431
Fiji Is	(Fiji $)	2.7560	1.4601	0.9569	1.0776
Finland	(Markka)	6.9663	3.6907	2.4188	2.7238
France	(Fr)	9.7975	5.1907	3.4019	3.8308
Fr. Cty/Africa	(CFA Fr)	489.88	259.539	170.097	191.546
Fr. Guiana	(Local Fr)	9.7975	5.1907	3.4019	3.8308
Fr. Pacific Is	(CFP Fr)	175.00	92.7152	60.7638	68.4261
Gabon	(CFA Fr)	489.88	259.539	170.097	191.546
Gambia	(Dalasi)	14.3697	7.613	4.9894	5.6186
Germany	(D-Mark)	2.8800	1.5258	1	1.126
Ghana	(Cedi)	666.885	353.317	231.557	260.757
Gibraltar	(Gib £)	1.00	0.5298	0.3472	0.391
Greece	(Drachma)	300.85	159.391	104.462	117.634
Greenland	(Danish Krone)	11.1075	5.8847	3.8567	4.3431
Grenada	(E Carr $)	5.13	2.7178	1.7812	2.0058
Guadaloupe	(Local Fr)	9.7975	5.1907	3.4019	3.8308
Guam	(US $)	1.8875	1	0.6553	0.738
Guatemala	(Quetzal)	9.7788	5.1808	3.3954	3.8235
Guinea	(Fr)	1178.31a	624.27	409.135	460.727
		570.15n	302.066	197.969	222.933
Guinea-Bissau	(Peso)	1235.325	654.477	428.932	483.021
Guyana	(Guyanese $)	84.65	44.8476	29.3923	33.0987
Haiti	(Goude)	9.5025u	5	3.2994	3.7156
Honduras	(Lempira)	10.7699	5.7059	3.7395	4.2111
Hong Kong	(HK $)	14.7133	7.7951	5.1087	5.753
Hungary	(Forint)	117.2357	62.1116	40.7068	45.8399
Iceland	(Icelandic Krona)	105.77	56.037	36.7256	41.3567
India	(Indian Rupee)	34.50	18.2781	11.9791	13.4897
Indonesia	(Rupiah)	3596.62	1905.49	1248.83	1406.3
Iran	(Rial)	124.80	66.1192	43.3333	48.7976
Iraq	(Iraqi Dinar)	0.6003	0.318	0.2084	0.2347
Irish Rep	(Punt)	1.0870	0.5758	0.3774	0.425
Israel	(Shekel)	3.8800	2.0556	1.3472	1.5171
Italy	(Lira)	2176.25	1152.98	755.642	850.929
Jamaica	(Jamaican $)	14.755	7.8172	5.1232	5.7693
Japan	(Yen)	255.75	135.497	88.802	100
Jordan	(Jordanian Dinar)	1.2337	0.6536	0.4283	0.4823
Kenya	(Kenya Shilling)	44.8659	23.77	15.5784	17.5428
Kiribati	(Australian $)	2.4385	1.2919	0.8467	0.9534
Korea North	(Won)	1.8435	0.9766	0.6401	0.7208
Korea South	(Won)	1360.30	720.689	472.326	531.887
Kuwait ‡	(Kuwaiti Dinar)				
Laos	(New Kip)	1301.8425	689.718	452.029	509.029
Lebanon	(Lebanese £)	1667.2	883.285	578.889	651.887
Lesotho	(Maluti)	4.8238	2.5556	1.6749	1.8861
Liberia	(Liberian $)	1.8875	1	0.6553	0.738
Libya	(Libyan Dinar)	0.5158	0.2732	0.179	0.2016
Liechenstein	(Swiss Fr)	2.4700	1.3086	0.8576	0.9657
Luxembourg	(Lux Fr)	59.55	31.5496	20.677	23.2844
Macao	(Pataca)	15.2855	8.0982	5.3074	5.9767
Madagascar	(MG Fr)	2564.75	1358.81	890.538	1002.83
Madeira	(Port Escudo)	256.30	135.788	88.993	100.215
Malawi	(Kwacha)	5.0225	2.6609	1.7439	1.9638
Malaysia	(Ringgit)	5.0980	2.7009	1.7701	1.9933
Maldive Is	(Rufiya)	18.0757	9.5765	6.2762	7.0677
Mali Rep	(CFA Fr)	489.88	259.539	170.097	191.546
Malta	(Maltese £)	0.5715	0.3027	0.1984	0.2234
Martinique	(Local Fr)	9.7975	5.1907	3.4019	3.8308
Mauritania	(Ouguiya)	149.6834	79.3024	51.9734	58.5272
Mauritius	(Maur Rupee)	26.65	14.1192	9.2534	10.4203
Mexico	(Mexican Peso)	5568.47e	2950.18	1933.5	2177.31
		5589.75d	2961.46	1940.89	2185.63
Miquelon	(Local Fr)	9.7975	5.1907	3.4019	3.8308
Monaco	(French Fr)	9.7975	5.1907	3.4019	3.8308
Mongolia	(Tugrik)	6.3771	3.3785	2.2142	2.4934
Montserrat	(E Carr $)	5.13	2.7178	1.7812	2.0058
Morocco	(Dirham)	15.4307	8.1752	5.3578	6.0335
Mozambique	(Metical)	1936.55	1025.99	672.413	757.204
Namibia	(S A Rand)	4.8238	2.5556	1.6749	1.8861
Nauru Is	(Australian $)	2.4385	1.2919	0.8467	0.9534
Nepal	(Nepalese Rupee)	56.8440	30.116	19.7375	22.2263
Netherlands	(Guilder)	3.2525	1.7231	1.1293	1.2717
N'nd Antilles	(A/Guilder)	3.4019	1.8023	1.1812	1.3301
New Zealand	(NZ $)	3.2095	1.7003	1.1144	1.2549
Nicaragua	(Cordoba)	4713240.00	2497081	1636542	1842909
Niger Rep	(CFA Fr)	489.88	259.539	170.097	191.546
Nigeria	(Naira)	16.5344	8.7599	5.7411	6.465
Norway	(Nor. Krone)	11.2775	5.9748	3.9157	4.4095
Oman	(Rial Omani)	0.7322	0.3879	0.2542	0.2862
Pakistan	(Pak. Rupee)	41.30	21.8807	14.3402	16.1485
Panama	(Balboa)	1.8875	1	0.6553	0.738
Papua New Guinea	(Kina)	1.8030	0.9552	0.626	0.7049
Paraguay	(Guarani)	2319.12	1228.67	805.25	906.792
Peru	(Intl)	997586.70	528523	346384	390063
Philippines	(Peso)	51.70	27.3907	17.9513	20.215
Pitcairn Is	(£ Sterling)	1.00	0.5298	0.3472	0.391
	(NZ $)	3.2095	1.7003	1.1144	1.2549
Poland	(Zloty)	18445.00	9772.19	6404.51	7212.12
Portugal	(Escudo)	256.30	135.788	88.993	100.215
Puerto Rico	(US $)	1.8875	1	0.6553	0.738
Qatar	(Riyal)	6.9279	3.6704	2.4055	2.7088
Reunion Is. de la	(F/Fr)	9.7975	5.1907	3.4019	3.8308
Romania	(Leu)	67.06	35.5284	23.2847	26.2209
Rwanda	(Fr)	231.87	122.845	80.5104	90.6627
St Christopher	(E Carr $)	5.13	2.7178	1.7812	2.0058
St Helena	(£)	1.00	0.5298	0.3472	0.391
St Lucia	(E Carr $)	5.13	2.7178	1.7812	2.0058
St Pierre	(French Fr)	9.7975	5.1907	3.4019	3.8308
St Vincent	(E Carr $)	5.13	2.7178	1.7812	2.0058
San Marino	(Italian Lira)	2176.25	1152.98	755.642	850.929
Sao Tome	(Dobra)	286.4054	151.738	99.4463	111.986
Saudi Arabia	(Riyal)	7.1362	3.7807	2.4778	2.7903
Senegal	(CFA Fr)	489.88	259.539	170.097	191.546
Seychelles	(Rupee)	9.5500	5.0596	3.3159	3.7341
Sierra Leone	(Leone)	331.00	175.364	114.931	129.423
Singapore	($)	3.2823	1.7389	1.1396	1.2834
Solomon Is	($)	4.9350	2.6145	1.7135	1.9296
Somali Rep	(Shilling)	4979.31	2638.05	1728.93	1946.94
South Africa	(Rand)	4.8238c	2.5556	1.6749	1.8861
		6.3923g	3.3866	2.2195	2.4994
Spain	(Peseta)	184.05	97.5099	63.9062	71.9648
Spanish Ports in N Africa	(Sp Peseta)	184.05	97.5099	63.9062	71.9648
Sri Lanka	(Rupee)	75.8939	40.2086	26.352	29.675
Sudan Rep	(£)	8.5523o	4.531	2.9695	3.344
		21.7607g	11.5288	7.5557	8.5085
Surinam	(Guilder)	3.3924	1.7972	1.1779	1.3264
Swaziland	(Lilangeni)	4.8238	2.5556	1.6749	1.8861
Sweden	(Krona)	10.7950	5.7192	3.7482	4.2209
Switzerland	(Fr)	2.4700	1.3086	0.8576	0.9657
Syria	(£)	39.9105	21.1446	13.8578	15.6052
Taiwan	($)	51.25	27.1523	17.7951	20.0391
Tanzania	(Shilling)	368.44	195.2	127.931	144.063
Thailand	(Baht)	47.50	25.1655	16.493	18.5728
Togo Rep	(CFA Fr)	489.88	259.539	170.097	191.546
Tonga Is	(Pa Anga)	2.4385	1.2919	0.8467	0.9534
Trinidad/Tobago	($)	8.0771	4.2792	2.8045	3.1582
Tunisia	(Dinar)	1.5997	0.8475	0.5554	0.6254
Turkey	(Lira)	5547.91	2939.29	1926.36	2169.27
Turks & Caicos	(US $)	1.8875	1	0.6553	0.738
Tuvalu	(Australian $)	2.4385	1.2919	0.8467	0.9534
Uganda	(New Shilling)	1040.1056	551.049	361.148	406.688
U A E	(Dirham)	6.9898	3.7032	2.427	2.733
United Kingdom	(£)	1.00	0.5298	0.3472	0.391
United States	(US $)	1.8875	1	0.6553	0.738
Uruguay	(Peso)	2914.47	1544.09	1011.97	1139.58
USSR	(Rouble)	1.0725o	0.5682	0.3723	0.4193
		3.2175c	1.7046	1.1171	1.258
Vanuatu	(Vatu)	215.00	113.907	74.6527	84.0664
Vatican	(Lira)	2176.25	1152.98	755.642	850.929
Venezuela	(Bolivar)	95.2938	50.4867	33.0881	37.2605
Vietnam	(Dong)	12353.25	6544.77	4289.32	4830.21
Virgin Is-British	(US $)	1.8875	1	0.6553	0.738
Virgin Is-US	(US $)	1.8875	1	0.6553	0.738
Western Samoa	(Tala)	4.2959	2.2759	1.4916	1.6797
Yemen	(Rial)	22.9010	12.1329	7.9517	8.9544
Yemen PDR	(Dinar)	0.8761	0.4641	0.3042	0.3425
Yugoslavia	(Dinar)	20.0970	10.6474	6.9781	7.858
Zaire Rep	(Zaire)	2969.50	1573.25	1031.08	1161.09
Zambia	(Kwacha)	86.6363	45.9	30.082	33.8753
Zimbabwe	($)	4.9264	2.61	1.7105	1.9262

Special Drawing Rights December 20 United Kingdom £0.742095 United States $1.42742 Germany D Mark 2.12557 Japan Yen191.988
European Currency Unit Rates December 21 United Kingdom £0.709023 United States $1.34679 Germany D Mark 2.04214 Japan Yen182.557

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate ; (d) Controlled rate; (e) Essential Imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar; ‡Kuwaiti Dinar unavailable.
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
Friday December 21, 1990

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

FRANCE (continued)

[illegible]

GERMANY (continued)

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

ITALY (continued)

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA (continued)

[illegible]

AUSTRALIA

[illegible]

HONG KONG

[illegible]

MALAYSIA

[illegible]

SINGAPORE

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

Closing prices December 21

[illegible]

MONTREAL

Closing prices December 21

[illegible]

Total Sales 5,865,181 shares.

INDICES

NEW YORK DOW JONES	Dec. 21	Dec. 20	Dec. 19	Dec. 18	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2633.66	2629.46	2626.73	2626.73	2999.75 (16/7)	2365.10 (11/10)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	91.70	91.64	91.62	91.54	93.04 (3/1)	88.44 (24/9)	95.51 (9/2/87)	54.99 1/10/81)
Transport	923.91	915.67	916.98	907.05	1212.77 (6/6)	821.93 (17/10)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	211.39	209.88	211.58	211.08	236.23 (2/1)	190.96 (24/8)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2662.62 (2648.51) Low 2619.55 (2591.58)

STANDARD AND POOR'S	Dec. 21	Dec. 20	Dec. 19	Dec. 18	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	331.75	330.12	330.20	330.05	368.95 (16/7)	295.46 (11/10)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	387.93	386.00	385.99	386.06	437.37 (16/7)	346.86 (11/10)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	23.95	23.95	23.79	23.55	31.87 (3/1)	18.80 (29/10)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	180.87	180.32	180.35	180.19	201.13 (16/7)	162.20 (11/10)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	306.20	306.49	306.65	305.03	382.45 (5/1)	288.07 (30/10)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	373.60	372.29	371.22	370.15	469.60 (16/7)	325.44 (16/10)	485.73 (9/10/89)	54.87 (31/10/72)

	Dec. 14	Dec. 7	Nov 30	year ago (approx.)
Dow Industrial Div. Yield	3.97	3.98	4.01	3.89

	Dec. 19	Dec. 12	Dec. 5	year ago (approx.)
S & P Industrial div. yield	3.32	3.31	3.31	2.90
S & P Indl. P/E ratio	15.88	15.89	15.89	14.51

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
USF & G	4,260,500	7⅝	-¼
AT & T	3,364,600	31	+⅛
Philip Morris	3,099,900	51⅛	-¼
Gen. Electric	2,856,100	58	+½
Exxon	2,660,300	50¾	+⅜
Manf. Hanover	2,523,500	24	-⅛
Boise Cascade	2,432,100	27⅞	+1⅝
Wal-Mart	2,296,500	31¾	+⅞
Limited Inc.	2,234,200	18	—
IBM	2,084,600	113¾	+⅛

TRADING ACTIVITY

† Volume (Millions)	Dec. 21	Dec. 20	Dec. 19
New York	233,400	174,700	180,380
Amex	13,749	14,002	14,791
NASDAQ	(u)	167,402	146,211
Issues Traded	2,032	2,037	2,036
Rises	760	717	844
Falls	770	820	688
Unchanged	502	500	504
New Highs	29	24	28
New Lows	48	46	37

CANADA TORONTO	Dec. 21	Dec. 20	Dec. 19	Dec. 18	1990 HIGH	1990 LOW
Metals & Minerals	2747.22	2769.88	2784.22	2756.20	3453.05 (4/1)	2486.60 (8/11)
Composite	3243.77	3255.43	3253.74	3236.89	4009.47 (3/1)	3009.91 (16/10)
MONTREAL Portfolio	1720.44	1730.84	1737.51	1729.27	2060.90 (3/1)	1607.24 (16/10)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Dec. 21	Dec. 20	Dec. 19	Dec. 18	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1272.2	1276.6	1284.1	1283.6	1713.7 (12/1)	1272.2 (21/12)
All Mining (1/1/80)	582.0	581.4	578.5	580.2	860.8 (5/1)	578.5 (19/12)
AUSTRIA						
Credit Aktien (30/12/84)	444.95	448.36	458.69	458.76	703.29 (19/3)	400.98 (25/9)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/88)	4951.58	4973.87	4999.98	4983.45	6599.43 (12/1)	4951.58 (21/12)
DENMARK						
Copenhagen SE (3/1/83)	310.58	313.30	319.53	322.20	388.29 (20/7)	310.58 (21/12)
FINLAND						
Unitas General (1975)	396.2	397.9	396.0	395.4	677.3 (23/1)	395.4 (18/12)
FRANCE						
CAC General (31/12/82)	416.47	421.15	429.42	425.35	564.62 (30/5)	410.18 (26/9)
CAC 40 (31/12/87)	1563.97	1552.72	1589.32	1591.65	2129.32 (20/4)	1485.39 (25/9)
GERMANY						
FAZ Aktien (31/12/58)	613.65	613.15	628.99	637.53	832.32 (19/7)	569.69 (28/9)
Commerzbank (1/12/53)	1735.0	1733.6	1783.4	1807.1	2414.0 (3/4)	1628.7 (28/9)
DAX (30/12/87)	1414.88	1409.26	1457.24	1477.41	1968.55 (30/3)	1334.89 (28/9)
HONG KONG						
Hang Seng Bank (31/7/64)	3079.67	3078.21	3083.44	3066.65	3559.89 (23/7)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1208.47	1207.61	1228.90	1259.66	1893.10 (22/1)	1193.66 (5/12)
ITALY						
Banca Com. Ital. (1972)	515.29	519.14	534.29	534.31	763.52 (14/6)	500.67 (29/11)
JAPAN						
Nikkei (16/5/49)	24119.68	24524.94	24876.78	24424.02	38712.88 (4/1)	20221.86 (1/10)
Tokyo SE (Topix) (4/1/68)	1764.82	1795.37	1821.41	1790.48	2867.70 (4/1)	1523.43 (1/10)
2nd Section (4/1/68)	2781.64	2823.27	2846.78	2850.11	4477.16 (16/7)	2763.32 (5/12)
MALAYSIA						
KLSE Composite (4/4/86)	494.14	497.60	497.24	498.08	632.22 (1/8)	459.08 (28/9)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	230.5	228.2	230.2	230.2	271.9 (20/7)	225.6 (8/11)
CBS All Shr (End 1983)	168.9	167.2	168.8	168.7	206.3 (3/1)	165.6 (8/11)
NORWAY						
Oslo SE (Ind) (2/1/83)	649.23	653.36	669.66	676.13	915.13 (2/8)	649.23 (21/12)
PHILIPPINES						
Manila Comp (2/1/85)	664.10	667.59	657.45	665.62	1160.78 (21/3)	514.80 (5/10)
SINGAPORE						
SES All-Singapore (2/4/75)	322.82	323.42	323.65	323.79	446.87 (16/7)	301.45 (11/10)
SOUTH AFRICA						
JSE Gold (28/9/78)	1191.0	1187.0	1112.0	1111.0	2290.0 (16/1)	1111.0 (18/12)
JSE Industrial (28/9/78)	3008.0	2991.0	2990.0	2987.0	3211.0 (6/2)	2640.0 (1/10)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	708.24	698.04	697.54	706.08	928.82 (4/1)	566.27 (17/9)
SPAIN						
Madrid SE (30/12/85)	227.91	227.61	233.66	234.52	309.74 (16/7)	209.37 (28/9)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	858.5	859.4	875.9	869.3	1329.9 (5/7)	815.6 (27/11)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	631.7	632.5	639.5	641.2	845.5 (13/7)	613.4 (28/9)
SBC General (1/4/87)	516.5	525.9	525.8	527.6	698.2 (13/7)	510.4 (26/11)
TAIWAN**						
Weighted Price (30/6/66)	3979.46	3928.90	3827.09	3919.73	12495.34 (10/2)	2560.47 (1/10)
THAILAND						
Bangkok SET (30/4/75)	611.63	616.68	623.58	619.04	1143.78 (25/7)	544.30 (30/11)
WORLD						
M.S. Capital Intl.(1/1/70) (¢)	461.9*	468.4	473.6	472.7	571.0 (4/1)	423.1 (28/9)

**Saturday December 15: Taiwan Weighted Price: 4319.47 Korea Comp Ex. 705.49
‡ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Friday 21 December 1990

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	14.8m	445	+1
Nomura	10.1m	435	-10
Marubeni	6.6m	671	-27
Mitsui	6.4m	780	-5
Kobe Steel	5.9m	476	-14
S'tomo Metal	5.6m	457	-8
A'kaga Bank	5.0m	990	0
NKK	4.8m	401	-6
Honshu Paper	4.7m	2,080	0
Shiseido	4.2m	2,070	-20

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 44p per minute peak and 33p off peak, inc VAT

FT MANAGED FUNDS SERVICE

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH
Tel: 071 - 379 - 0444.

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Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
TSB Unit Trusts (1200)H						
Charlton Pl, Andover, Hants, SP10 1RE						0264 346794
TSB American	6	108.59	109.35	116.52	0.75	41457
Do Accum	6	118.69	119.53	127.15	0.75	41458
TSB Brit Growth	6	64.04	64.95	69.09	3.96	41459
Do Accum	6	70.8	71.81	76.39	3.96	41460
TSB European	6	64.97	65.41	69.58	1.26	41461
Do Accum	6	67.32	67.79	72.11	1.26	41462
TSB Extra Income	6	139.93	143.05	152.18	6.16	41463
Do Accum	6	197.9	202.32	215.23	6.16	41464
TSB Smaller Cos	6	37.83	39.53	42.05	3.29	41466
Do Accum	6	39.66	41.45	44.09	3.29	41466
TSB General	6	196.65	196.65	209.2	4.24	41467
Do Accum	6	360.51	360.51	383.52	4.24	41468
TSB Premier Income	5	41.5	42.11	43.86	9.49	41469
Do Accum	5	72.97	74.06	77.14	9.49	41470
TSB Income	6	258.57	263.88xd	280.72	5.83	41471
Do Accum	6	480.7	490.58xd	521.89	5.83	41472
TSB Pacific	6	191.18	191.18	203.38	0.39	41473
Do Accum	6	198.92	198.92	211.61	0.39	41474
TSB International	6	327.79	327.79	348.71	1.45	41475
Do Accum	6	420.45	420.45	447.28	1.45	41476
TSB Nat Resources	6	54.5	55.1	58.61	1.36	41477
Do Accum	6	59.12	59.77	63.58	1.36	41478
TSB Sleta Oppt	6	68.33	70.09	74.56	3.94	41479
Do Accum	6	81.55	83.65	88.98	3.94	41480
Environmental Inv	6	40.13	40.84	43.44	2.54	46849
Do Accum	6	41.05	41.77	44.43	2.54	46850
TSB Selector	6	41.71	42.44	45.14	4.64	47660
Do Accum	6	42.98	43.73	46.52	4.64	47661
TSB High Income	6	43.88	44.48	47.31	6.66	44558
Do Accum	6	45.18	45.79	48.71	6.66	44559
TSB Intl Income	6	47.32	47.51	50.54	7.02	44560
Do Accum	6	47.32	47.51	50.54	7.02	44561
TSB Selector Income	6	44.81	45.29	48.18	6.85	44562
Do Accum	6	44.81	45.29	48.18	6.85	44563
Target Trust Mngrs Ltd (1600)F						
Target Hse, Gatehouse Rd, Aylesbury, Bucks.						
Admin 0296 394000						Dealing: 0296 312156
American Eagle	5	62.54	62.54xd	66.74	1.15	41482
Australia	5	5.220	5.220	5.588	4.77	41483
Equity	5	140.9	140.9	151.4	5.08	41486

	Bid Price	Offer Price	Yield Gross	City-line
M & G Securities Ltd				
Charibond	98.6	98.6	10.95	[illegible]
(Accum Units)	522.8	522.8	10.95	[illegible]
NAACIF Dec 18	–	40.2xd	9.90	[illegible]
MIM Ltd				
Exempt Funds				
Intl Mngd P'Folio	971.0	1050.0	–	[illegible]
Mngd Pens (Acc)	57.5	61.3	–	[illegible]
Morgan Grenfell Unit Trust Managers Ltd				
Exempt Funds				
UK Equity † Dec 11	111.9	119.9	9.20	[illegible]
UK Small Co † Dec 11	429.9	472.9	2.25	[illegible]
Fixed Interest † Dec 11	100.9	106.1	8.33	[illegible]
US Small Co Dec 11	104.7	112.0	0.00	[illegible]
Managed Dec 11	96.05	102.0	2.57	[illegible]
Intl Bond Dec 11	106.8	112.6	8.09	[illegible]
Japan Dec 11	63.04	67.20	1.01	[illegible]
European Dec 11	78.87	84.40	1.73	[illegible]
Nth American Dec 11	79.98	85.75	1.62	[illegible]
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Expt Dec 19	39.2	40.7	2.60	[illegible]
Euro Expt Dec 19	47.0	49.3	2.91	[illegible]
Fixed Int Ex Dec 19	44.1	45.2xd	11.35	[illegible]
Japan Expt Dec 19	40.0	42.0xd	0.76	[illegible]
Managed Ex Dec 13	38.5	40.0	5.06	[illegible]
SE Asia Expt Dec 19	55.0	57.7	6.90	[illegible]
Sm Cos Expt Dec 19	28.0	29.4xd	5.90	[illegible]
UK Eqty Ex Dec 19	36.0	37.8	5.19	[illegible]
Phillips & Drew Fund Management Ltd				
Small Co's Dec 5	592.63	634.6	5.78	[illegible]
Do Accum	659.2	705.8	5.78	[illegible]
Int Expt Dec 19	148.9	151.1	2.99	[illegible]
UK Index Dec 10	999.0	1019	6.07	[illegible]
Do Accum	1056	1076	6.07	[illegible]
Convertible Dec 14	81.15	83.87	9.14	[illegible]
World ex UK Index Dec 17	658.3	667.0	3.05	[illegible]
Do Accum	658.3	667.0	3.05	[illegible]
Japan Index Dec 17	529.4	537.1	0.56	[illegible]

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	Yield Gross	City-line
N & P Life Assurance Ltd				
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348				
Life Managed Fd	90.6	95.4	-	41924
Pension Managed Fd	86.4	91.0	-	41926
Life Deposit Fd	103.0	108.4	-	41923
Pension Deposit Fd	106.4	112.0	-	41925
National Financial Management Corp PLC				
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539				
Life Funds				
Managed Cautionary	99.3	104.6	-	47150
Managed Growth	120.9	127.3	-	47151
Managed Opportunity	116.3	122.5	-	47152
NFMC Target Financial	88.6	93.3	-	47153
Pension Funds				
Managed Cautionary	104.9	110.5	-	47154
Managed Growth	124.6	131.2	-	47155
Managed Opportunity	117.6	123.8	-	47156
NFMC Target Mngd Pens	1342.1	1412.8	-	47157
National Mutual Life				
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422				
Barnesley Pension Funds				
Managed	141.9	149.4	-	43141
UK Equity	147.5	155.3	-	43135
Overseas Equity	113.3	119.3	-	43136
Fixed Interest	134.7	141.8	-	43137
Property	127.4	134.2	-	43138
Index Linked	143.4	151.0	-	43139
Deposit	147.7	155.5	-	43140
With Profits (B)	124.0	130.6	-	44126
National Provident Institution				
48 Gracechurch St, London EC3P 3HH 071-623 4200				
Managed	309.0	325.3	-	43163
UK Equity	386.1	406.5	-	43164
Overseas Eq	292.7	308.2	-	43165
American	223.1	234.9	-	43166
Far East	298.5	314.3	-	43167
Property	193.2	203.4	-	43168

	Bid Price	Offer Price	Yield Gross	City-line
Property Equity & Life Ass. Co				
Baxter Ave, Southend SS2 6QH 0702 333433				
Int Man Pension Fd	149.1	156.9	-	43369
Int Man Crncy Bd Fd	144.8		-	43370
Int Man Crncy Bd Fd(d)	131.3		-	43371
Flexible Prop Bd Fd	201.3		-	43372
Flexible Money Bd Fd	366.4		-	43373
Special Man. Inc. Fd	133.5		-	43374
Prosperity Life Assurance Ltd				
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690555				
Initial Equity	137.0	144.5	-	42995
Accum Equity	193.0	203.5	-	43005
Accum Managed	198.5	209.5	-	43006
Accum Five Star	150.0	158.5	-	43011
Accum World	107.0	113.5	-	43013
Accum Lifetime	100.8	100.8	-	47139
Pens Acc Equity	201.0	212.5	-	43025
Pens Acc Managed	236.0	249.0	-	43026
Pens Acc Intl	170.5	180.0	-	43027
Pens Acc Deposit	188.0	198.5	-	43029
Pens Acc Five Star	158.5	167.5	-	43031
Providence Capitol Life Assc. Co Ltd				
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888				
UK Equity Acc	196.8	207.7	-	43411
UK Fixed Int Acc	164.6	173.7	-	43412
Intl Equities Acc	150.4	158.7	-	43413
UK Managed Acc	156.1	164.6	-	43414
Property Acc	232.1	244.9	-	43415
Money Acc	123.9	130.7	-	43416
Special Market Acc	118.1	124.6	-	43417
Japan Equity Acc	89.3	94.2	-	46760
North American Acc	85.3	90.0	-	43419
Pacific Acc	74.6	79.1	-	43420
Technology Acc	97.6	103.0	-	43421
Nat Resources Acc	51.4	54.3	-	43422
European Acc	89.7	94.7	-	43424

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

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	Bid Price	Offer Price	Yield Gross	City-line
M & G (Guernsey) Ltd				
Island Gold	1543.40	1641.9	1.25	45421
(Accum Units)	2796.30	2974.8	1.25	45422
Merrill Lynch Guernsey				
Bangkok NAV Dec 19		563.40	–	42709
Iberia Portfolio NAV		$9.73	–	46590
NM Financial Mgmt Intl Ltd				
Mngd Currency (Susp)	£–	–	–	45498
NM Portfolio Selection Fund Ltd (Suspended)				
Convergence	£–	–	–	46250
Far East Gwth	$–	–	–	46251
Smaller Co's	£–	–	–	46252
Special Sits	£–	–	–	46253
Intl Bond	$–	–	–	46254
American Fund	$–	–	–	45502
American Smaller Cos	$–	–	–	45504
Australian Fund	£–	–	–	45506
British Fund	£–	–	–	45508
European Fund	£–	–	–	45510
Gold Fund	£–	–	–	45512
Hong Kong Fund	£–	–	–	45514
International Fund	£–	–	–	45516
Japanese Fund	£–	–	–	45518
Japan Smaller Cos	£–	–	–	45520
Singapore & Malaysian	£–	–	–	45522
Dollar Fixed Interest	$–	–	–	45524
Sterling Fixed Int	£–	–	–	45526
Deutschmark Currency	DM–	–	–	45528
Dollar Currency	$–	–	–	45531
Sterling Currency	£–	–	–	45532
Yen Currency	Y–	–	–	45534
Managed Currency	£–	–	–	45536
Nikko Capital Mngt (Europe) Ltd				
Japan Index Fund	Y2 700	2 727	–	45554
New Generation Fd $	$21 64	21 87	–	45560
Japan Index Alpha	Y7 634	7 748	–	46350
Jap Sector Rotation	Y6 935	7 037	–	47334
Jap Cap Gwth CB	Y[illegible]	Y[illegible]	–	
Prudential Intl Financial Services Ltd				
Holborn Currency Fund				
Managed Sterling	130 9	131 4	10 70	45637
Managed Dollar	$14 11	14 16	7 66	45638
Sterling Deposit	100 0	100 0	10 37	45639
Dollar Deposit	$10 00	10 00	–	45640

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F						
PO Box 63, Bond Street, St. Helier, Jersey 0534 76029						
Stlg Fixed Int	5½	£1.118	1 118	1.187	9.57	45259
Offshore High Yield	3½	£1 426	1 426xd	1.488	14 62	45249
Global Equity Fund	5½	$13.19	13.26	14.18	1.42	45260
European Equity	5½	[illegible]	15.99	17 10	1.46	45258
UK Growth (£) Fund	5½	£4.098	4.163	4.452	3.70	45264
Nth American Eqty	5½	$8 786	8 786	9.371	0 72	45250
Far Eastern Eqty	5½	$8.884	8.969	9.593	1.70	45252
Intnl. Bond Fund						
Sterling Managed	5½	£10 23	10.23	10 91	8 77	45265
US Dollar Managed	5½	$13 58	13 58	14.49	6.45	45266
International Currency Fund						
Sterling Managed ‡	5½	£24.83	24.83	26 38	–	45267
US Dollar Managed ‡	5½	$28 94	28.94	30 62	–	45268
Sterling ●‡	0	£23.71	23.71	23.71	13 71	45269
US Dollar ●‡	0	$37.12	37 12	37.12	6.59	45270
Deutschmark ●‡	0	DM58 14	58 14	58 14	7 81	45271
Japanese Yen ●‡	0	Y4 727	4,727	4,727	6.51	45272
Swiss Franc ●‡	0	SFr45 42	45 42	45.42	7.04	45273
Irish Punts ●‡	0	I£21.53	21 53	21.53	17.62	46662
Lloyds Bank (CI) U/T Mgrs.						
PO Box 195 St Helier, Jersey 0534 27561						
Lloyds Tst. Gilt	2½	£9.318	9 338	9.572	11.70	45393
Dealing daily						
Midland Bank Fund Managers (Jersey) Ltd						
PO Box 26, St Helier, Jersey 0534 37788						
Intl Circuit Portfolio	6	88.35	88.35	93 70	0 00	41027
Gilt	3	91 38	91.38	94 21	12 74	45446
MIM Britannia International (Jersey) Ltd						
PO Box 271, St Helier, Jersey 0534 73114						
Jersey Gilt (z)	5¼	[illegible]	0.3656	0.3746	9.45	45451
Royal Trust Jsy Fd Mngt Ltd (1400)F						
PO Box 428, St Helier, Jersey 0534 76077						
Govt Secs Fd	4	54.56	54.56xd	56 99	11.41	46734
TSB Trust Funds (CI)						
PO Box 538, St Helier, Jersey 0534 73494						
TSB Offshore Investment Fund Ltd						
Stg Deposit Class	3	104 53	104.53	107.67	13.50	45897
Gilt & Fixed Interest	5	101.68	101.68	104.73	11.63	[illegible]
Blue Chip & Gilt Edged	5	44.55	44.55	47.26	6.14	[illegible]

Scimitar Worldwide Money Fund Ltd

Scimitar Worldwide Selection Fd Ltd

Scrimgeour Kemp-Gee Mngmt, Jersey

TSB Trust Funds (CI)

Target Internat. Management (Jersey) Ltd

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

MONEY MARKETS

ERM rates pressure

THE US Federal Reserve may have caught the markets by surprise when it cut the discount rate last week to 6.5 from 7.0 per cent. But lower American rates are unlikely to halt the pressure in the markets for tighter monetary policy in Europe.

UK clearing bank base lending rate 14 per cent from October 8, 1990

In spite of the immediate weakness caused to the D-Mark by the political uncertainty in the Soviet Union, the consequence of the Fed's decision has been to bolster the mark's strength within the Exchange Rate Mechanism. A higher mark will not worry the Bundesbank as the unification of Germany has caused greater inflationary pressures than the central bank had expected. Indeed, last week the Bundesbank said it might have to raise interest rates.

Any tightening in Germany is likely to increase the pressure on the other ERM members to follow suit. Last week, Belgium again pushed some of its short-term rates up. The Dutch central bank was also forced to nudge its period rates higher, while the Irish central raised its short-term facility rates.

But the French and British governments will be less willing to follow the rest of Europe higher. At the same time, the weakness of the franc and sterling makes it more difficult for France and the UK to reduce interest rates.

France and the UK also appear unwilling to consider the other option, which could help them out of the current difficulties: that is a realignment of the ERM. Mr Norman Lamont, the UK chancellor of the exchequer, and Mr Pierre Bérégovoy, the French finance minister, have ruled that out.

Sterling and the franc are, respectively, the weakest currencies within the ERM. A hike in rates by the Bundesbank will only worsen their standing.

£ IN NEW YORK

Dec.22	Close	Previous Close
£ Spot	1.8865-1.8865	1.8930-1.8940
1 month	0.91-0.89pm	1.02-1.00pm
3 months	2.59-2.55pm	2.83-2.80pm
12 months	8.38-8.28pm	9.05-8.95pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Dec.22	Previous
8.30 am	93.0	93.0
9.00 am	93.0	93.0
10.00 am	93.0	93.1
11.00 am	93.0	93.1
Noon	93.1	93.1
1.00 pm	93.0	93.1
2.00 pm	92.9	93.0
3.00 pm	92.8	93.0
4.00 pm	92.8	93.0

CURRENCY MOVEMENTS

Dec 21	Bank of England Index	Morgan** Guaranty Changes %
Sterling	92.8	-19.5
U.S Dollar	62.1	-17.4
Canadian Dollar	102.2	+0.2
Austrian Schilling	110.8	+12.7
Belgian Franc	112.4	-1.5
Danish Krone	110.6	+5.1
D-Mark	120.5	+26.7
Swiss Franc	114.1	+22.8
Dutch Guilder	115.8	+17.3
French Franc	104.9	-11.6
Lira	99.9	-19.3
Yen	130.2	+64.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Dec. 20 .

POUND SPOT - FORWARD AGAINST THE POUND

Dec 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8790 - 1.9055	1.8870 - 1.8880	0.92-0.90cpm	5.79	2.66-2.62pm	5.59
Canada	2.1795 - 2.2055	2.1845 - 2.1855	0.51-0.36cpm	2.39	1.23-1.06pm	2.10
Netherlands	3.2385 - 3.2575	3.2475 - 3.2575	1¼-1¼cpm	4.84	3¼-3¼pm	4.00
Belgium	59.25 - 59.75	59.50 - 59.60	26-19cpm	4.53	60-45pm	3.53
Denmark	11.0740 - 11.1405	11.1025 - 11.1125	5-4orepm	4.86	12-10pm	3.96
Ireland	1.0740 - 1.0875	1.0865 - 1.0875	0.35-0.25pm	3.31	0.75-0.55pm	2.39
Germany	2.8710 - 2.8880	2.8775 - 2.8825	1¼-1⅛pfpm	4.95	2⅞-2¾pm	3.91
Portugal	254.50 - 256.80	255.80 - 256.80	44-24cpm	1.59	par-61dis	-0.48
Spain	182.45 - 185.30	183.90 - 184.20	4-13cdis	-0.55	26-31dis	-0.62
Italy	2144.70 - 2176.75	2175.75 - 2176.75	5-2lirepm	1.93	8½-3pm	1.06
Norway	11.2480 - 11.2915	11.2725 - 11.2825	3½-2¾orepm	3.13	7¼-5½pm	2.26
France	9.7555 - 9.8025	9.7925 - 9.8025	3½-3cpm	3.90	8¼-7⅝pm	3.24
Sweden	10.7705 - 10.8075	10.7900 - 10.8000	⅞pm-¼oredis	0.35	par-2dis	-0.37
Japan	255.25 - 257.75	255.25 - 256.25	1⅜-1¼ypm	6.16	3⅞-3½pm	5.57
Austria	20.19 - 20.31	20.25 - 20.28	9⅝-8⅛gropm	5.26	24-20¼pm	4.42
Switzerland	2.4615 - 2.4780	2.4650 - 2.4750	1-⅞cpm	4.55	2⅞-2⅝pm	4.45
Ecu	1.3880 - 1.4030	1.3890 - 1.3900	0.47-0.43cpm	3.89	1.17-1.08pm	3.24

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.90-4.80cpm, 12 Month 8.55-8.35cpm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EXCHANGE CROSS RATES

EURO-CURRENCY INTEREST RATES

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

CURRENCY RATES

OTHER CURRENCIES

CHICAGO

LONDON RECENT ISSUES

FIXED INTEREST STOCKS

RIGHTS OFFERS

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

NOTES—Gross rate to those exempt from composite rate of tax. Net actual rate after deduction of CRT. Gr Equiv CAR. Gross equivalent to basic rate taxpayers —compounded annual rate. Int Cr. frequency interest credited

FINANCIAL TIMES STOCK INDICES

	Dec 21	Dec 20	Dec 19	Dec 18	Dec 17	Dec 14	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs.	82.53	82.64	82.83	82.74	82.87	83.37	84.20	74.13	127.4	49.18
Fixed Interest	90.90	90.97	91.14	91.06	90.93	91.14	92.91	83.80	105.4	50.53
Ordinary	1688.4	1687.2	1707.1	1694.2	1690.2	1701.2	1968.3	1510.4	2008.6	49.4
Gold Mines	149.5	145.2	137.2	136.2	140.1	138.8	378.5	136.2	734.7	43.5
FT-Act All Share	1039.42	1037.27	1046.13	1039.03	1037.71	1042.90	1226.83	962.09	1238.57	61.92
FT-SE 100	2164.4	2158.8	2178.7	2161.8	2157.9	2166.7	2463.7	1990.2	2463.7	986.9
FT-SE Eurotrack 100	955.33	944.03	966.28	972.98	972.00	992.71	1003.35	948.31	1000.00	948.31

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

LONDON SHARE SERVICE

BRITISH FUNDS

BRITISH FUNDS—Contd

AMERICANS—Contd

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

Continued on next page

LONDON SHARE SERVICE

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BANKS, HP & LEASING

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
2,443.9	ABN Amro F15	£9⅜	....	8.7	4 9	Aug May	1567
1,200.0	ANZ SA1	134	-2.2	11.3	12 6	Jan Jul	1698
3,013.0	Abbey National 10p	230	0.9	3.3	6 8	Apr Oct	3411
929.7	Allied Irish Ord	143	-4.0	6.3	19 11	Dec July	1354
34.2	Anglo Irish	57xd	....	7.3	10 12	Jan July	1355
115.7	Ansbacher (H.) 1p	62	1.6	5.4	12.3	April	1624
841.1	Banco Cen Fr100	£49¼	1.0	2.7	9 5	May Mar	2202
3,273.2	Banco Bilbao Viz	£13¼	-8.5	5.9	9.12	Dec June	–
[illegible]	Banco de Santander	£25⅛	-4.1	4.0	31 10	Apr Oct	–
519.1	Bank Ireland Ir£1	155	-2.5	8.5	19 11	July Dec	1360
134.4	Bank Leumi	£19¼	...	–	–	–	1740
25.0	Bank Leumi (U.K.)	350	...	5.7	6 8	Mar Sep	1740
858.6	Bank Scotland	113	-1.7	5.4	8 10	Dec Jul	1742
96.5	Do. 9¼pc Irrd Pf	96½	...	12.8	22 10	May Nov	1462
13.4	Bank of Wales	42	...	8.9	8.10	Nov Jun	1743
5,139.6	Barclays £1	368	-0.6	7.2	20 8	Oct May	1754
5.36	Benchmark 20p	10	-9.1	10.0	9.4	May Oct	1802
33.5	Brown Shipley £1	210xd	...	‡	10 12	Jan Aug	1983
91.7	Cater Allen £1	387	0.5	8.4	19 11	Jan Aug	2081
9.18	Chancery	44	4.8	‡	25 6	Jan July	2102
561.3	Commerzbk DM10	£16	-8.2	3.9	27.5	May	1046
[illegible]	Dai Ichi KBk Y50	753	1.5	0.5	4 7	June	3221
5,530.7	Deutsche Bk DM50	£209⅛	-7.6	2.2	17.5	May	2345
181.8	Espirito Santo	£17	3.0	2.2	–	June	5187
295.1	First Nat. Fin. 10p	183	...	9.5	9.7	Mar Aug	2571
45.1	FNFC 6.5pc Cv Pf	93	-2.1	9.0	25 6	July	2570
[illegible]	Fuji Bank Y50	928	5.9	0.4	4 7	Dec June	1084
121.4	Gerrard & National	312	0.3	8.1	22.10	June Dec.	2686
50.5	Guinness Mahon 10p	78xd	...	2.5	10 12	July Feb	5074
400.3	Hambros 20p	236xd	...	6.5	10 12	Jan Sep	2812
150.0	Do. 7.5pc Cv Pf.	100	1.0	10.0	10 9	Apr Oct	4388
2,035.5	HK & Shang HK$2.50	311½	5.0	8.1	14.9	October	–
19.8	Joseph (Leo) £1	378xd	...	5.6	10 12	Jan Sept	3060
19.8	King & Shaxson 20p	125	...	10.9	19 11	Dec June	3088
350.5	Kleinwort Benson Grp	284	-0.7	7.5	20 8	May Oct	3102
5,487.2	Kyowa Bank Y50	402	1.8	0.7	29 6	Mar Jun Sept	3049
3,695.2	Lloyds £1	298	0.3	6.0	6 8	Oct May	3171
29.3	Lon Scot. Bank 10p	49	...	6.5	25.6	Mar Aug	4651
1,521.0	Midland £1	194	-8.9	12.4	6.8	May Oct	3380
[illegible]	Mitsubishi Bank Y50	£10½	...	0.3	4.7	June Dec.	5290
[illegible]	Mitsubishi Tr & Bk Y50	£6⅜	1.9	0.6	–	June Dec	4775

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
23.5	Tay Homes	107	2.9	6.0	22.10	May Nov	4176
697.2	Taylor Woodrow	210	-4.1	5.7	24.9	July Oct	4177
105.3	Tilbury Group	518	1.6	8.2	8 10	June Oct.	4230
3.49	Torex Hire 10p	35	...	9.1	23.7	Sep Mar	3237
195.1	Travis Perkins 10p	193	-2.5	5.5	24 9	Oct July	4297
10.1	Try Group	48	...	16.7	24.9	May Oct	4365
1.30	Tudor 20p	23	...	15.7	22 10	June Dec	4325
12.1	Turriff Corp.	153	-16.4	13.1	22 10	Jan Jun	4329
0.54	Venture Plant Grp 5p	3½	16.7	–	27 12	Jul Jan	1467
33.1	Vibroplant 5p	72	....	6.8	20.8	Mar Oct	4397
34.3	Ward Group 5p	135	...	7.1	8.10	Jun Nov	4427
38.4	Ward Hldgs. 10p	73	-2.7	4.7	20.8	Mar Oct.	4428
85.8	Watts Blake	416	...	2.8	8 10	July Nov	4447
3.15	Westot Group 10p	30	...	20.0	9.4	Jan Jul	1399
86.6	Westbury 10p	174	-0.6	6.9	5 11	Jan July	4466
3.43	Westminster Scaffldg 10p	33	...	20.2	9 7	Sept Mar	4973
1.74	Wiggins Group	11	-35.3	–	31.7	–	4502
228.8	Wilson Bowden 10p	349	0.3	3.0	10 9	May Nov	4516
296.0	Wilson (Connolly)	166	-0.6	2.8	10.9	Oct. July	4518
593.4	Wimpey (Geo)	206	1.5	6.8	10.9	Oct May	4519

CHEMICALS, PLASTICS

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
950.7	Akzo Fl.20	£23⅝	-2.6	10.1	2.11	Nov Apr	1542
322.5	Allied Colloids 10p	125	4.2	3.4	9 7	Aug Feb	1551
9.22	Amer Plastic Tech 1c	48	...	2.6	14.5	June	1596
157.5	Amersham Intl.	387	1.3	5.1	19.11	Jan Aug	1600
11.3	Astra Hldgs	12½	13.6	–	14.8	–	1684
4,075.2	BASF AG DM50	£71⅛	-8.3	6.1	4.7	–	1770
123.4	BTP 10p	165xd	1.9	6.3	10.12	Feb Aug	1996
4,822.5	Bayer AG DM 50	£77¼	-4.7	5.7	20 6	June	1776
60.6	Blagden Inds	137	-3.5	8.9	20.8	Apr Oct	1849
69.2	Brent Chems 10p	129	-5.1	7.0	8.10	May Nov	1943
24.1	Caird Group 10p	43	-8.5	11.0	10 9	Oct Apr	2032
14.9	Do. 7p Cv Pf 2009 10p	42xd	-2.3	22.2	10 12	June Dec	1433
1.80	Cambridge Isotope 1c	14	-6.7	–	14.11	November	2043
28.9	Canning (W.)	103	-1.9	9.3	8.10	Dec July	2053
197.0	Croda Int. 10p	159	-5.6	9.6	24.9	Dec July	2278

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ELECTRICITY

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

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MOTORS, AIRCRAFT TRADES — Contd

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY — Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUST

INVESTMENT TRUST — Contd

INVESTMENT TRUST — Contd

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

WATER

OIL AND GAS

OIL AND GAS — Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES — Contd

Miscellaneous

THIRD MARKET

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
2.23	Analysis Hldgs 20p ..γ	5	......	–	–	–	2781
2.28	Amberley Res. 10p..γ	45	–2.2	–	–	–	1606
3.88	Automobiles of Dis. 5p ..γ	12	......	–	–	–	1404
14.5	Barbican Hldgs 1p..γ	1	......	–	–	–	5060
9.71	Biocure 1p..........γ	40	......	–	–	–	2323
1.29	Bumbie Exploration γ	7	......	–	–	–	1363
2.72	Cafe Inns £1..........	210	–4.5	–	–	–	1447
0.68	Caldwell Invs. 10p....γ	10	......	–	–	–	5166
	For Caspen Oil see OIL AND GAS						
3.02	Celtic Gold ....γ	17	–10.5	–	–	–	4894
0.81	Chelsea Artisans 5p .γ	34	......	–	22.5	–	2111
2.95	ChemEx Intl.........γ	15	......	–	–	–	2113
1.54	Citybond Storage Serv....	75	–11.8	–	–	–	3829
1.18	Dana Corp..............	14¾	6.3	–	–	–	5055
5.38	Edencorp Leisure 5p...	124	......	4.2	19.1	December	4687
2.14	Eglinton Expln Ir 50p.γ	28	–6.7	–	–	–	1415
0.13	Do. Wrrnts ....γ	2	–50.0	–	–	–	1414
2.00	Far East Res. 10p....	68	......	–	–	–	2540
5.94	Fast Forward Inns....	98	......	–	–	–	2835
0.61	Feltrim Min. Ir0.20....	5½	......	–	–	–	4920
4.81	Glencar Expln......γ	26	4.0	–	–	–	1435
3.92	Hartley Baird 5p ..γ	20	......	5.0	12.3	Jan Apr	1843
	For Hiclare see ELECTRICALS						
3.18	Image Store Hldgs. 10p γ	24	–4.0	–	–	–	–
10.8	Ivernia West.........γ	41	2.5	–	–	–	5275
1.16	Kells Mins. Ir5p.....γ	48	......	–	–	–	3741
0.95	Kemp (P.E.) 5p.....γ	6	......	–	7.89	–	3077
0.62	Moray Firth 1p......γ	3½	......	–	–	–	3412
1.03	Navan Resources...γ	19	......	–	–	–	1185
1.39	Ovoca Gold IR 2p...γ	20	–4.8	–	–	–	1470
2.08	Oxford Virology 5p...γ	15	......	–	–	–	2712
13.2	Paddington 5p........	77	......	–	–	–	3117
4.80	Ramsden's (Harry)...γ	80	–9.1	7.8	9.7	March	2011
0.84	Sempernova.........γ	6	......	–	–	–	1645
2.80	Sleepy Kids 5p......γ	14	7.7	–	–	–	5068
0.33	Systems Connections.γ	1¼	......	–	–	–	5341
5.71	Tomorrows Leisure 20p γ	51	......	2.6	24.9	October	4248
1.29	UPL Group 10p.....γ	32	......	–	22.5	Dec. July	4362
1.32	Video Magic Lei. 1p γ	8	......	–	26.1	–	5071
1.68	Vista Ents 5p.......γ	1¾	–12.5	–	–	–	3994
7.83	Wilton Group 1p...γ	1¾	16.7	–	–	–	3628

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ‡ Not comparable
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date.
- ∥ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. c Cents. e Redemption yield. f Flat yield. k Kenya. C Canadian. E Minimum tender price.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1.. γ	700	......
Finlay Pkg. 5p.... γ	38	......
Holt (Jos) 25p.....γ	1305	......

IRISH

Cap. 8½% Ln. 1991....	£98¼	......
9pc Cap Ln. 1996..	£93	–2.1
Fin. 13% 97/02...	£110¼	–1.3
Arnotts...............	160	......
Carrol (P.J.)..........	154	......
Helton Hldgs.......γ	43	7.5
IRG....................	135	......
United Drug..........	138	–1.4

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	6
Astec (BSR)	4½
BAT	46
BOC Grp.	28
BTR	25
Barclays	30
Blue Circle	19
Boots	29
Bowaters	43
Brit Aerospace	45
British Steel	10½
Brit. Telecom	25
Cadburys	28
Charter Cons.	38
Comm Union	40
Courtaulds	28
Eurotunnel	35
FKI	5
FNFC	20
Gen Accident	41
GEC	15
Glaxo	68
Grand Met.	51
Guardian	17
GKN	27
Hanson	16
Hawker Sidd	35
ICI	70
Ladbroke	22
Legal & Gen.	32
Lex Service	17
Lloyds Bank	24
Lucas Inds.	11
Marks & Spencer	19
Midland Bk	16
Nat West Bk	21
P & O Dfd	44
Racal Elect.	16
RHM	23
Rank Org Ord	52
Reed Intnl.	32
STC	19
Sears	7½
SmKl. Beecham A	41
TI	35
TSB	11
Tesco	19
Thorn EMI	55
Trust Houses	23
T&N	13
Unilever	52
Vickers	16
Wellcome	33

Property	
Brit Land	24
Control Secs.	3½
Land Securities	45
MEPC	38
Mountleigh	9

Oils	
Aviva Petlm.	3½
Brit Petroleum	27
Burmah Castrol	46
Conroy Petlm.	15
Gaelic Res.	1½
Premier	7
Shell	37
Tuskar Res.	2
Ultramar	29

Mines	
Lonrho	19
RTZ	48

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,050 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service:

Additions: Pelican Group (Section: Hotels & Caterers).
UniChem (Industrials).

Deletions: Barlo Group (Industrials).
Bond Corporation (Mines-Australians).
English & Dutch Inv. (Trusts, Finance, Land).
Klark-Teknik (Electricals).
R & V Information Systems (Electricals).

4pm prices December 21

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A-A-A -								
38⅞	9¼	AAR	.48	4.8	6	1444	10⅛	9⅞	10	- ⅛
9¾	7⅞	ACM n	1.01	11.		167	9	8¾	8⅞	+ ⅛
11⅛	8¼	ACMIn	1.26	12.		1668	10⅝	10½	10½	+ ⅛
8½	6½	ACM M n	1.01	13		624	8	7⅞	8	
12⅞	10	ACMMM	1.50	13.		380	12	11⅞	12	
11½	8⅝	ACM Sc	1.26	12.		2726	10⅛	9⅞	10⅛	+ ¼
9⅞	7¼	ACMSp	1.01	12.		1385	8⅝	8⅛	8⅝	+ ¼
24⅝	17	AL Lab	.16	.7	19	29	23½	23⅛	23½	
4½	1	AM Inn				679	1⅛	1⅛	1⅛	- ⅛
18⅞	4⅝	AM In pf	2	30.		82	6¾	6½	6⅝	+ ⅛
70¼	39¼	AMR			15	3933	50⅛	49⅛	49⅞	- ¾
26½	25	ANR pf	2.67	10.		2	25½	25½	25½	
4	1⅛	ARX				262	1⅝	1½	1½	- ⅛
72¾	38¼	ASA	3	7.1		787	42⅛	42	42⅛	- ½
3½	1⅞	ATTC wt				220	2½	2¼	2½	+ ¼
46⅞	31⅛	AbtLab	.84	1.9	20	10049	44⅞	43⅞	43⅞	- ½
14	10⅛	Abitibi g	.50			37	10⅝	d10½	10⅝	- ⅛
11⅛	4⅝	AcmeC	.40	8.2	11	168	4⅞	4⅝	4⅞	+ ⅛
9⅞	5	AcmeE	.32	6.1	8	10	6¼	5¼	5¼	- ¾
32¾	18⅞	Acuson s			22	1657	27⅞	26¾	27⅝	+ ⅞
18⅞	14½	AdaEx	1.72e	12.		239	14⅞	14⅝	14⅝	- ¼
15⅛	9⅛	Adobe				70	9⅝	9½	9½	
20¼	16	Adob pf	1.84	11.		25	16⅞	16⅝	16¾	+ ⅛
21⅝	19¼	Adob pf	2.40	12.		28	19⅝	19⅝	19⅝	
11⅛	3⅝	AMD				6847	5⅛	5	5⅛	+ ⅛
32⅛	13	AMD pf	3	17.		506	17⅝	17⅛	17½	
8¾	1⅝	Advest	.16	6.4		201	2⅝	2¼	2½	+ ⅛
58⅝	29	AetnLf	2.76	6.8	10	4191	41	40¼	40⅝	+ 1⅛
12¼	6¼	AflPb	.24	3.2		1301	7⅞	7½	7½	- ⅛

Continued on Page 27

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
63¾	46¾	Syntex	1.60	2.8	18	4467	58	57⅛	57⅝	
38⅛	25¾	Sysco	.28	.9	22	2707	33	32¼	32⅞	+ ⅜
24⅞	6½	SystCt			12	10415	6½	d 4¾	4⅞	−4½
		− T − T − T −								
24¾	4⅛	TCBY	.40	6.4	7	811	6⅜	6⅛	6¼	− ⅛
14⅞	5½	TCF Fn	.40	5.0	5	225	8⅛	7⅞	8	− ⅛
8¾	6⅞	TCW	.84	12.		z291	7⅛	7	7	
61¼	31	TDK s	.29e	.9		16	34⅞	34	34	+1
33⅞	26¼	TECO	1.62	4.9	14	936	32⅞	32⅝	32⅞	− ⅛
8	6⅞	TIS	1.28	17.	7	152	7⅜	7	7⅜	+ ⅛
17⅞	8¾	TJX	.48	4.3	12	1875	11⅛	10½	10⅝	− ⅜
22½	14½	TNP	1.63	8.8	10	150	18⅝	18⅜	18½	+ ⅛
61¼	30¼	TRW	1.80	4.8	10	1669	38	37¼	37¾	+1¼
4½	11-64	TacBt n				109	11-32	9-32	9-32	−1-32
40⅞	14	Taiwan	1.69e	8.1		80	21	20¾	20¾	− ⅜
11¼	4¾	Talley	.50	8.5	6	396	6⅞	5½	5⅞	+ ⅜
18¾	8½	Talley pf	1	11		42	9⅛	8⅞	9⅛	+ ⅜
45½	33¾	Tambd s			16	360	42½	41⅛	41⅛	−1⅜
30⅛	8⅞	Tandem			17	6768	12⅛	11⅛	12	+ ⅞
41¼	23½	Tandy	.60	2.1	8	2282	28⅞	28⅜	28⅞	− ⅛
12⅞	9¾	TauNY	n.65e	5.9		53	11	10⅞	11	+ ⅛
12⅞	10⅛	TauCA	n.63e	5.7		22	11⅛	11	11⅛	+ ⅛
10	5⅞	TchSym			6	246	9	8¾	8⅞	+ ⅛
19¼	11⅝	Tektrnx	.60	3.2	62	719	18½	18⅛	18½	+ ⅛
2	13-16	Telcom				30	13-16	d ¾	¾	−1-16
[illegible]										
46½	42½	Xerox pf	4.13	9.5		1	43½	43½	43½	
32⅞	13	XTRA	.72	4.9		584	15⅛	14⅝	14⅝	− ½
25	12½	XTRA pf	1.94	13.		6	15	15	15	− ½
3⅝	5-16	Zapata				2230	⅜	5-16	11-32	−1-32
6½	3	Zemex				11	3½	3½	3½	
13⅞	4	ZenithE				1156	7⅞	7⅜	7½	− ⅜
16¾	9⅞	ZenNtl	1	8.0	5	158	12¾	12½	12½	− ⅛
7½	4¾	Zenix	.93	21.		237	4¾	4½	4½	
17⅛	9⅞	Zero	.40	3.6	12	89	11⅜	11⅛	11⅛	− ⅛
51⅛	29⅝	Zurnin	.88	2.6	15	403	34¼	33¾	33½	− ½
12⅞	10⅛	Zweig	1.18e	10.		265	11½	11⅛	11¼	− ⅛
10	7⅞	ZweigTl	.84	9.7		1092	8¾	8⅝	8⅝	− ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices December 21

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

4pm prices December 21

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
[illegible]							
WmSon s		20	108	21⅛	21	21	− ⅛
WilmTr	1.44	10	280	40¼	39	39	
WiserO	.40a	27	736	15⅞	d15¼	15⅜	− ⅛
Wolohn	.28b	6	25	13½	13	13½	+ ⅛
WlwExp			2014	4⅛	3¾	3⅞	− ¼
WlwEx pf	2.25		652	11⅞	11⅛	11⅛	− ⅛
Worthg	.60	17	3889	23⅛	22⅜	22⅞	− ⅛
Wyman	.80		772	6¾	6⅛	6⅛	
		− X − Y − Z −					
XL Dta		5	724	6½	6	6½	
XOMA			663	20¾	20⅛	20¾	+ ½
Xilinx			2222	13¾	13	13⅛	− ⅛
YanEnS	1.52	13	74	21⅛	20¾	21⅛	
YelowF	.94	31	1901	27⅞	27¼	27½	+ ⅛
YorkRs		12	342	9¾	9½	9½	− ¼
Zeos		14	69	12¾	12⅛	12⅝	− ⅜
ZionBc	1.44	6	207	30½	30	30½	+ ½

FINANCIAL TIMES Monday December 24 1990

MONDAY INTERVIEW

Premier purveyor of glamour

Joan Collins, the celebrity television actress, talks to **Alice Rawsthorn**

The music stopped when Joan Collins walked into the room. Her publicist had, after all, whispered politely to the *maitre d'hotel* that Miss Collins did not like to be distracted by background noise during interviews.

So the pianist was sent away as Miss Collins stepped out of her stretch limousine and swept across the marble floor of the Waldorf Hotel's Palm Court tea room. Every head in the room swivelled around to stare at her. And why not?

Limousines belong on the palm-lined avenues of Beverley Hills, not on the sunless streets of London. And it is not every day that a *femme d'un certain âge* sweeps through the Palm Court clad entirely in black from her palazzo pants, to sweeping shades and the Lana Turner turban around her head.

At 57, Joan Collins looks sensational. She bears no resemblance to the stereotypical middle-aged glamour girl with her tell-tale plastic surgery scars and emaciated figure. Instead, she is blessed with finely chiselled bones, big blue eyes and immaculate make-up.

She is slim, but not unhealthily so. She smiles sweetly at one of the gaggle of gawping waiters and asks for smoked salmon and cucumber sandwiches, "so chic". The waiter beams back trying unsuccessfully to look as though he serves Miss Collins every day.

Joan Collins is a star. Everything about her says so: the clatter of Chanel stilettos, the scarlet finger nails and the clear consonants of a Rank starlet accent tinged with trans-Atlantic drawl.

Her particular brand of glamour harks back to the past, to the 1950s and her days as a graduate of the J.Arthur Rank charm school. But her stardom is very much of the present. For better or worse, Miss Collins is a star of the 1990s.

When she started out in the 1950s the Hollywood studios ruled the roost in the movie business. The stars were bound by watertight contracts to the studios, which could make or break their careers. Today it is the agents, like Mr Mike Ovitz and Mr Swifty Lazar, who rule Hollywood and boss about the studios on the stars' behalf.

Joan Collins, who is signed to Mr Lazar, reckons stars are better off under the new system. "In the old days the studios controlled you from the cradle to the grave. Clark Gable was completely under Louis B. Meyer's thumb. The studio told him exactly what he could and could not do. Careers were shorter. Even someone as popular as Betty Grable was only successful for 15 years. These days we work for longer and have more control over our careers."

Today's stars also have more scope for making money. Joan Collins is a marketable phenomenon and she has made the most of it. At one time she left her business dealings to her husbands – "never again" – now she has a battery of agents, managers and lawyers to advise her.

"I am interested in business, but not in the fine details," she says. "I do know what I want. Recently I had a business meeting with a man in his 50s. I said 'I want this, this and this.' He saluted and shouted 'Yes sir.' When I asked him why, he said it was because I had been so bossy. He would never have said that to a man."

She now has a string of licensing deals. Some, such as her perfume and her eyewear – "Specs, I call them, but you have to say eyewear in the States" – are successful. Others, such as her lingerie range, have quietly faded away.

There are two people in the US and one in the UK working full time for her on licensing rights and distribution deals. All in all Miss Collins shifts \$30m (£16m) of products every year; her perfume alone, Joan Collins' Spectacular, is worth \$12m. There is even an (unauthorised) Joan Collins' Deluxe quickie wedding package at the Little White Chapel in Las Vegas for \$500.

What are people buying? "I suppose they are buying their image of me. They are mostly middle-aged women who want to be glamorous." Women who want to look like Joan Collins? "Well, you said that, not me. They probably think I look like this when I wake up in the morning. Joke!"

There are also her novels. The first, Prime Time, sold 500,000 copies in paperback alone. The second, Love & Desire & Hate, was launched this autumn. It reads less like one of the 'sex and shopping' best-sellers written by her sister, Jackie, and more like the plot of one of her steamier TV mini-series.

The new novel opens with an under-age prostitute, orphaned of course, musing over an evening in war-time Paris. She began the evening by attracting Picasso's attention at a pavement café. Then she repaired to an hotel with one of Mussolini's officers and was brutalised by him in a bout of sadistic sex. And that is all on the first page.

'I have had to do a lot of jobs I did not enjoy'

Miss Collins is now under contract to Century Hutchinson for two more novels. There are also plans for a movie in Hollywood and not one, but two new mini-series. For the past few months she has been in London playing Amanda in Noel Coward's Private Lives at the Aldwych Theatre. There is even talk of taking the play to Broadway.

"That is what everyone says. But I do not know whether I will have enough time to go. The ideal life for me would be to do one play, like Private Lives, for four or five months and then maybe a mini-series. But more and more I find I like to spend my time curled up in my study in the south of France writing my novels."

Life was not always like this. The 1960s and 1970s were the lean years when she was forced to resort to parts in Star Trek – "I played Miss Edith Wharton, a do-gooder in the Bowery. People think I can not play good parts but Miss Edith Wharton was the goodest part ever" – and Empire of the Ants.

"I needed the money," she says. "I have had to do a lot of jobs I did not enjoy, but I have always made a good living from acting. In a profession where 85 per cent of people are unemployed at any given time I consider that quite an achievement. Every time I did an Empire of the Ants there would have been 10,000 other actresses desperate to do it and to take the \$40,000."

After Empire of the Ants she played an ageing vamp in The Stud and The Bitch, two soft porn films which, in theory, should have sunk her career. Instead she was spotted by Mr Aaron Spelling, the Hollywood producer, and whisked away to play Alexis, the alluring anti-heroine of Dynasty.

"Alexis was a venal bitch," says her creator. "I hated her with a passion. But I did identify with some parts of her character – her loyalty to a man who treated her foully; her love for her children; her strength; and her shrewdness in business."

Little else about Alexis was redeeming – least of all her lines. "The first few series were alright, but then Dynasty became very thin," says Miss Collins. "A few weeks ago I saw a compilation of some of the later episodes. I could not remember any of it. I had completely forgotten whole scenes."

Thin or not, Dynasty turned her into a star again and into a role model for glamorous and would-be glamorous forty and fiftysomethings.

Stardom has brought her a barrage of publicity. The papers pore over every detail of her past from her various marriages – four, in fact – to her lengthy list of lovers. The list includes Lord White, chairman of Hanson Industries in the US, Warren Beatty, the movie star, and Robin Hurlstone, her current escort who, as the tabloids were delighted to discover is at 32, if a little long in the tooth to be a toy-boy, not much more than half her age.

"I have lived with the publicity for so long that I take it totally for granted," she says. "Sometimes the papers flatter you. Sometimes they crucify you. I hate to say it but the British are the worst. There really seems to be great resentment against people who are hugely successful in America, especially against women."

There are compensations, not least the money. "I am rich, I suppose, but it is the freedom that I appreciate most of all. The freedom not to have to work if I do not want to. The freedom to fly my children out to Beverley Hills or to go to Rome for the weekend."

"I do not have to worry about ever working again, but I will never really feel financially secure. I have been poor and you do not forget that. There was a time when Ron (the third Mr Collins) and I had six kids between us all under the age of 12. We had to find the school fees somewhere. Hence Empire of the Ants."

PERSONAL FILE

1933 Born in London, educated at North London Collegiate and Royal Academy of Dramatic Arts.
1951 British film debut in Lady Godiva Rides Again.
1954 Hollywood debut in Land of the Pharaohs.
1981-88 Stars as Alexis in Dynasty
1988 Launch of Joan Collins' Spectacular perfume.
1988 Publication of Prime Time.
1990 Returns to the London stage as Amanda in Private Lives.

Columbus spirit takes a beating

MICHAEL PROWSE on America

With a father more interested in technology than literature, it was perhaps inevitable that I would read too much science fiction as a child. I avidly consumed the works of Arthur C. Clarke, Isaac Asimov and Robert Heinlein while others laboured through the standard classics. C.S. Lewis figured in my life not for the Narnia stories but for his inspired space romances, such as Out of the Silent Planet.

This strange literary diet caused a lasting enthusiasm for space travel. For years the aspect of America I most admired was its willingness to spend billions of dollars firing men into orbit. As a schoolboy in the late 1960s I bought Life magazine and eagerly followed the exploits of the Apollo astronauts. Following the Apollo 8 mission in December 1968, Christmas became indissolubly linked in my mind with space exploration.

That mission took astronauts to the Moon for the first time although a landing was not attempted until summer 1969, when Neil Armstrong and Buzz Aldrin touched down in the Sea of Tranquillity. Frank Borman, the Apollo 8 commander, however, was the first man to view planet earth from deep space. Gazing back at the floating orb, he read movingly from the Book of Genesis. Science fiction, it seemed, was coming true.

More recently, the US space programme has turned sour. The Moon was abandoned long ago. The space shuttle, intended as a leap forward from the Saturn 5 boosters, was dogged with technical problems. When the Challenger shuttle blew up in 1986, seven lives were lost and the entire space programme grounded. This year the \$1.5bn Hubble space telescope proved an embarrassing flop because of errors in its assembly. All this has left the once revered National Aeronautics and Space Administration (Nasa) the butt of bitter jokes.

A fortnight ago, an advisory committee set up by Mr Dan Quayle, the vice-president, published a report setting out new goals and priorities for the space programme. The headlines made grim reading for those of us still harbouring a romantic interest in space.

Nasa, they trumpeted, should focus on scientific research – particularly the life sciences – rather than exploration or engineering feats for their own sake. It should phase out the space shuttle and make much greater use of robots and unmanned rockets. It should devote much of its effort to relevant issues such as threats to the earth's environment. Meanwhile, plans for the manned exploration of Mars should be scaled back with Nasa adopting a "go as you pay" approach – in other words tailoring the schedule to meet the availability of funds.

"Ugh", was my immediate reaction. Biological research is useful but hardly calculated to inspire a nation. The use of robots would please cost accountants but displays a total lack of Christopher Columbus spirit. And "go as you pay" for the Mars mission is surely a recipe for glacial progress. The US would never have achieved President John Kennedy's target of putting a man on the Moon by 1970 had accountants been given their head.

Indeed, the most striking aspect of America's civil space programme is the scale of the cutbacks following the Apollo project's initial success. At its peak in the late 1960s, Nasa accounted for 4½ per cent of total federal expenditure and nearly 1 per cent of gross national product. By the time of the Challenger disaster, its share had fallen to less than 1 per cent of federal spending and 0.2 per cent of GNP. Space was definitely on the back burner.

Read in its entirety, however, the Quayle committee's report is less discouraging than the headlines suggested. The authors do accept that there is a difference between Edmund Hillary reaching the top of Everest and a rocket lofting an instrument package to the summit. (Indeed, they point out that the Soviet Union's success in retrieving lunar samples with a robotic probe is largely forgotten.) The committee thus "wholeheartedly endorses" a far-reaching manned programme provided it is carefully paced to the availability of funds.

And these, it transpires, should be reasonably generous. The committee's programme assumes that the civil space budget will grow by approximately 10 per cent a year in real terms for the remainder of the decade, levelling out at about 0.4 per cent of GNP. In other words, it is proposing half an Apollo programme – a big improvement on 1980s austerity even if the day that men or women kick the red dust of Mars remains far in the future.

Many critics, of course, will argue that plans to increase real expenditure on space are irresponsible at a time of budgetary crisis and when America is plagued with social problems. What is the relevance of Mars when blacks in Harlem have a shorter life expectancy than people in Bangladesh? My answer is that there is not the slightest evidence that less spending on space would be channelled in socially useful directions. A country as rich as the US can afford to indulge in exploration for its own sake.

In any case the long run economics of space are extremely sound. It is self-evident that the human race will exhaust the physical resources of this planet in due course. But a little effort today will enable us to eat off a plate of Galactic goodies tomorrow. There may be a global environmental crisis but there is not, by definition, any shortage of resources beyond planet earth in those nebulous regions inhabited only by the psyches of Clarke, Asimov and Heinlein.

JOTTER PAD

The pessimists' view prevails

IAN DAVIDSON on Europe

A year ago the world rejoiced at the opening of a new era of hope. The Cold War was over; eastern Europe was breaking free from its shackles to embrace democracy and economic reform; the long night of the post-war era was giving way to a bright dawn.

There were some people cranky enough to put a damper on this festive note, predicting that the good news would be followed by bad. Political reform would put considerable strains on the countries of eastern Europe, few of which were prepared by history or temperament for the task. Economic reform would involve profound dislocation, and serious, if transitional, deprivation. The long-suppressed nationality conflicts within and between east European countries could lead to instability. Difficult times were ahead.

The pessimists were not wrong. In 12 short months the new dawn has clouded over, and the prospects for this New Year do not lend themselves to any facile reprise of last year's rejoicing. Events in the Soviet Union and eastern Europe seem to confirm the fears of the Cassandras. And if the threat of war in Europe has now vanished over the horizon, the danger of war in the Gulf looms menacingly close.

In eastern Europe, it is the Soviet Union which offers the most depressing picture, if not the most surprising, with its timeless and apparently sterile struggle over the carcass of communism and the bones of the Soviet empire.

In his resignation speech last Thursday, Mr Eduard Shevardnadze, the former foreign minister, warned passionately against the danger of dictatorship. Whether this is a real danger or just a fevered phantasm, is a question which appears to baffle the most brilliant correspondents in Moscow. If the implied accusation was aimed at President Mikhail Gorbachev, he immediately denied it.

No doubt Mr Gorbachev's determination to defend the Union against the separatists, and his apparent dependence on the traditional instruments of power (the party, the armed forces and the KGB), conspire to give his policy an increasingly conservative twist. But the most alarming feature of the situation in the Soviet Union may not be the imminent danger of a coup (if there is such a danger), so much as the absolute immobilism of the political struggle. Mr Gorbachev is approaching the end of his sixth year in power, but nothing is resolved, and nothing seems likely to be resolved.

This paralysis is probably the worst fate that could befall the Soviet Union. Moreover, it will cast a dark shadow over Moscow's new-found friendship with the United States and western Europe.

The lack of effective leadership in economic reform guarantees that the Soviet economy will plunge ever more steeply into failure. Economic disintegration may lead to political disintegration, undermining both the old political structures and the untried novelty of democracy.

The time may come when people will wonder wistfully whether some form of dictatorship, if not benign at least constructive, might not after all be preferable to paralysis and disintegration. Yet the paralysis and the disintegration may reach the point where they render impossible any constructive dictatorship.

Indeed, it could be that Mr Gorbachev's attempts to preserve the Soviet Union through institutions evocative of the Communist party are not merely doomed to failure but are profoundly counter-productive. The battle over the future of the Union seems to be one of the main obstacles to political and economic reform; the longer he tries to keep it together, the more he will ensure that it evokes the bad old Soviet Union. So perhaps political and economic reconstruction can only start to work after the process of national and geographic disintegration has run its course and come to rest.

This could make a kind of desperate sense. Existing institutions and concepts in the Soviet Union appear to have lost the minimum legitimacy required for effectiveness. There is no common corpus of belief for talking about economic reform. It may be that the only viable building-block for political and economic reform would be the minimal legitimacy of national solidarity.

Over 20 years ago, the pioneer French Sovietologist Hélène Carrère d'Encausse, broke new ground with her celebrated book "L'Empire éclaté", which stressed the explosive centrifugal force of the nationality issue in the Soviet Union.

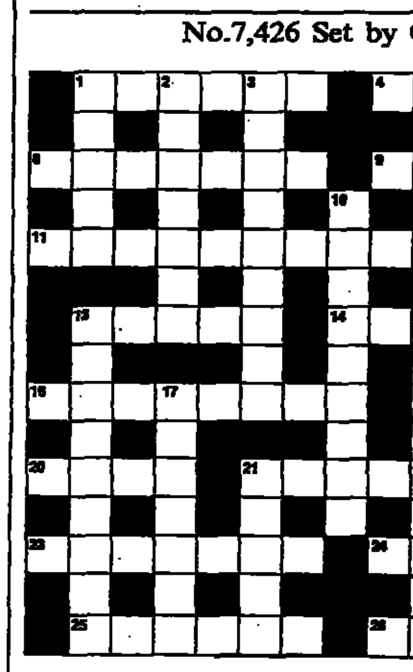
Today her thesis seems more clairvoyant than ever. In the postface to a new edition* just published, she says: "No doubt Gorbachev must resolve the acute problem of the Soviet economy. But even more he must find a response to the revolt of the nationalities. For how is it possible to get the economy moving, so long as the territorial and state framework of all effort is unstable and in dispute? As president of the USSR, he will not be able to use his great powers, until he knows where and over whom they can be exercised."

Unfortunately, the west has consistently been out of phase and out of touch with the real dilemmas in Moscow. President George Bush pathetically expresses his long-delayed faith in perestroika; but that out-dated expression has now been displaced by the struggle over the territorial integrity of the Union. The IMF says the west should not give large-scale financial aid until Moscow has embarked on fundamental economic reform; perhaps the IMF should acknowledge that economic reform may be impossible until Moscow has settled what Mme d'Encausse calls "the challenge of the nations".

(*) *L'Empire éclaté, by Hélène Carrère d'Encausse. Flammarion; Livre de Poche (No 5433); 1990; 400pp.*

CROSSWORD

No.7,426 Set by QUARK



MISPRINTS: One letter is misprinted in the definition part of each Across clue. Down clues are normal.

ACROSS

1 Spy gold in inactive state (6)
4 One stirred MP lobby, but not by noise (6)
8 I have spell as sailor, isolated (7)
9 Tom's cue being misplaced is something to bear (7)
11 Tin topples, falling from the sky. Prepared for the catch? (2,8)
12 Ballet dance (4)
13 I bash evildoer in endless row (5)
14 Get across stony bed – cries in torment (8)
16 Cut oaf sounded alarm in rising Tees (8)
18 Oozy mud doesn't start in the river (5)
20 Good English in a dull setting (4)
21 Fellers (say) upset without lorry (10)
23 Aid for driver – a reasonable route (7)
24 Feeling without base, man tours one little island (7)
25 Formerly saucy age (6)
26 Organiser of caper, rioted, got excited (6)

DOWN

1 Hood's bird (5)
2 Italian port – a drink in southern region? No (7)
3 Performance tried round inn spasmodically (9)
5 Short programme about the north makes sharp point (5)
6 Revolution for 31 days? (7)
7 Official with letter causes a buzz (6-3)
10 He hopes to make something, going in 5 or 6 (9)
13 Reckless speed, perhaps in mph? (10)
15 Balance metallic one over road (9)
17 Some salt getting up into bicycle pedal? (5)
19 Rises at meeting with caustic, presumptuous person (7)
21 Putting tree outside US city shows discernment (5)
22 From hotel a service that produces a special beam (5)

The solution to the Christmas Crossword will be published with names of winners on Saturday January 5.

BASE LENDING RATES

	%		%		%
ABN Bank	14	Coutts & Co	14	NatWestminster	14
Adam & Company	14	Cyprus Popular Bk	14	Northern Bank Ltd	14
Allied Trust Bank	14	Dunbar Bank PLC	14	Nykredit Mortgage Bank	14½
AIB Bank	14	Duncan Lawrie	14	Provincial Bank PLC	15
● Henry Ansbacher	14	Equatorial Bank plc	14	Roxburghe Bank Ltd	14½
Associates Cap Corp	15½	Exeter Trust Ltd	14½	Royal Bk of Scotland	14
● B & C Merchant Bank	14	Financial & Gen. Bank	14	Royal Trust Bank	14
Bank of Baroda	14	First National Bank Plc	16	● Smith & Williman Secs	14
Banco Bilbao Vizcaya	14	● Robert Fleming & Co	14	Standard Chartered	14
Bank Credit & Comm	14	Robert Fraser & Ptrs	14½	TSB	14
Bank of Cyprus	14	Girobank	14	Unibank plc	14
Bank of Ireland	14	● Guinness Mahon	14	● United Bk of Kuwait	14
Bank of India	14	● Hambros Bank	14	United Mizrahi Bank	14
Bank of Scotland	14	Hampshire Trust Plc	14½	Unity Trust Bank Plc	14
Banque Belge Ltd	14	Heritable & Gen Inv Bnk	14	Western Trust	14
Barclays Bank	14	● Hill Samuel	14	Westpac Bank Corp	14
Benchmark Bank	14	C. Hoare & Co	14	Whiteaway Laidlaw	14
Brit Bk of Mid East	14	Hongkong & Shangh	14	Yorkshire Bank	14
● Brown Shipley	14	● Leopold Joseph & Sons	14		
CL Bank Nederland	14	Lloyds Bank	14		
● Charterhouse Bank	14	Meghraj Bank Ltd	14		
Citibank NA	14	McDonnell Douglas Bnk	14		
City Merchants Bank	14	Midland Bank	14		
Clydesdale Bank	14	Mount Banking	14		
Comm. Bk. of London Plc	14	Nat Bk. of Kuwait	15		
Co-operative Bank	*14				

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